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ABSTRACT

Designed as an at-home course to help users develop a realistic budget plan and set up a workable record-keeping system, these course materials provide practical tips, ideas, and suggestions for budgeting. The course begins with a nine-step budgeting process which emphasizes communicating among family members, considering personal or family situation, setting goals, estimating income, estimating expenses, balancing the expenses with income, putting a budget plan into action, adjusting a budget plan as necessary, and future planning. Course materials include (1) situation sheets showing how life situations affect money management; (2) examples of money management tools such as a net worth sheet, income statement, account book, budget form, cash flow statement, budget control sheet, and cash flow planning form; (3) a financial action planning sheet; (4) special sections for single people, two-income families, and those with irregular incomes; and (5) additional information on using credit wisely, tax planning, and recordkeeping systems. (LH)

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Budgeting: The Basics and Beyond

SP 016 195

COOPERATIVE EXTENSION SERVICE
INSTITUTE OF AGRICULTURE AND NATURAL RESOURCES
THE UNIVERSITY OF NEBRASKA-LINCOLN

BEST COPY

Designed for people who want more than basic information about money management, Budgeting: The Basics and Beyond, includes:

1. A nine-step process to budgeting.
2. How life situation affects money management.
3. Examples of money management tools including a net worth sheet, income statement, account book, budget form, cash flow statement, budget control sheet, and cash flow planning form—and how to use each for better money management.
4. A financial action planning sheet.
5. Special sections for single people, two-income families, and those with irregular incomes, a three-tiered savings and investing plan.
6. Additional information on using credit wisely, tax planning, and recordkeeping systems.

This course provides practical tips, ideas and suggestions to help manage money better. Worksheets and examples illustrate much of what is contained in the course.

Kathy Prochaska-Cue
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Extension Family Economics & Management Specialists

EXTENSION WORK IN "AGRICULTURE, HOME ECONOMICS AND SUBJECTS RELATING THERETO,"
THE COOPERATIVE EXTENSION SERVICE, INSTITUTE OF AGRICULTURE AND NATURAL RESOURCES,
UNIVERSITY OF NEBRASKA-LINCOLN, COOPERATING WITH THE COUNTIES AND THE U.S. DEPARTMENT OF AGRICULTURE
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COOPERATIVE EXTENSION SERVICE
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Dear

Welcome to "Budgeting: The Basics and Beyond," a learn-at-home course. After you have completed this course, we hope you will feel better able to develop a realistic budget plan according to your financial goals, and set up a workable recordkeeping system.

We also hope you will find some new ideas. We think you'll find lots of suggestions and examples, but we don't intend for you to use everything. The important thing to remember is that you need to develop your own budget plan and system so it works best for you.

This course includes 24 pieces which are listed on the contents page in this course folder.

We are pleased you decided to take this course and encourage you to finish the activities. Please feel free to call my office if you have questions.

Hope you enjoy learning more about "Budgeting: The Basics and Beyond."

Sincerely,

EXTENSION WORK IN "AGRICULTURE, HOME ECONOMICS AND SUBJECTS RELATING THERETO,"
THE COOPERATIVE EXTENSION SERVICE, INSTITUTE OF AGRICULTURE AND NATURAL RESOURCES,
UNIVERSITY OF NEBRASKA-LINCOLN, COOPERATING WITH THE COUNTIES AND THE U.S. DEPARTMENT OF AGRICULTURE
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Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

BUDGETING: THE BASICS AND BEYOND

Budgeting is simply the process of allocating income to cover expenses.

In general, budgeting will help you achieve your goals by allowing you to consider all your spending alternatives within a single framework. Specifically, budgeting will help you save for the things you want—thereby reducing the need for consumer credit—live within your income, and know where your money is going. Budgeting also can help you keep an annual record of all tax deductions for income tax purposes.

Budgeting is a word which usually gets negative reactions from people. But a budget can help you use the money you have more effectively. In this learn-at-home course, you'll find out that a budget is a financial plan for spending—it is not the bookkeeping chore of keeping track of every penny spent.

Activity

Pull out L.H. 83-12-4—How's Your Financial Management Score?, and complete to help you pinpoint areas where you need to improve your financial management. Set aside; you will use this information later.

The Budgeting Process

Budgeting, a management process, follows these steps:

1. Communicating among family members.
2. Considering personal or family situation.
3. Setting goals.
4. Estimating income.
5. Estimating expenses.
6. Balancing the expenses with income.
7. Putting budget plan into action.
8. Adjusting budget plan as necessary.
9. Use for future planning.

Step #1: Communication

The first step is communication with family members. If single, this involves honest thinking and communicating with yourself. Studies have shown there is considerably less argument in marriages where both spouses share in making financial decisions and where they openly communicate with the children about the financial situation. Money is a common problem for people. When family members have different values and attitudes about spending and saving money, or when people have for unrealistic goals, there is potential conflict. When people don't "talk things out," even the most workable spending plan may not work.

Communication isn't always easy, but it is important. Generally, the more open the communication about finances, the better the quality of the financial decisions.

Overcoming money problems takes honest and candid communication, time, and effort. Arrange a time when all people involved can talk about money. Meet on a regular basis. Choose a location where you won't be interrupted. Recognize that whoever earns the money doesn't also earn the right to dictate how it should be spent. Family members, including children old enough to understand, need to make decisions about money as a team. They'll be more satisfied with the decisions if they helped make them. Family members will learn to budget.

To help facilitate communication, clearly identify the issue at hand; stick to the subject. Let each person freely state his or her wants, needs, and personal feelings. Avoid judging or criticizing others. Encourage statements beginning "I think" or "I feel;" avoid "You always" and "You never." Listen carefully. Finally, be willing to negotiate—compromise is the key to successful communication about money.

Step #2: Your Situation

Situations differ from person to person and from family to family. No two people or families are exactly alike in size, ages, tastes, talents, occupations, lifestyles, expenses, income, and past history. These characteristics make a difference in the way a particular person views money and makes money decisions. Family economics experts favor tailoring each plan for the particular situation involved.

Family Size. Whether single or married makes a difference in your budgeting plan. And whether you're married or single, you may have one or more children or other dependents. Not even all married families with children are similar. You may have a family where it is the first marriage for each spouse and all of the children belong to both of you, or you may have a step-family where one or both spouses were married previously and have a child or children from that previous marriage. The exact number of people in the family will make a difference.

Ages. As a young single person, your expenses and income will be different from those of a retired, single person. Likewise, a family with younger children will have different financial circumstances than a family with children near college age. People need to provide for various expenses, including savings and investments, depending on their ages. You can't begin to plan for re-

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tirement income, for example, when you reach age 60.

Lifestyles. Each person's tastes, talents, values, and attitudes will also make a difference in the total financial budget. Whether you have a taste for prime rib or hot dogs, or whether you consider it important to set aside money for retirement or believe in spending it today while you have it will make your particular budget very special for you. Each person's occupation and talents will affect the budget. By using a certain talent you may be able to cut expenses for home decorating, but you may also find you have a larger cash outlay for tools and supplies so that person can practice his or her talent.

Income and expenses. How a budget is set up and followed will be determined by whether income is regular, such as a paycheck every two weeks, or irregular, such as that received by a farmer or other self-employed person. Whether expenses are regular or irregular also makes a difference in the budget.

Potential changes. Are you planning a major change during the coming year such as a move, changing jobs, buying a house, getting married, having a child, entering the job market, or buying a new roomful of furniture? Every major change will affect the budget.

A workable budget will not tell what is a good way to spend your money, since what is good for one person or family may not necessarily be good for the next person. But a budget can help you be sure you are spending your financial resources in ways which are the most beneficial and satisfying to you.

Activity

Enclosed in this learn-at-home course you will find a series of life situation sheets (L.H. 83-12-5 and L.H. 83-12-6). Find the one which fits your present situation. Unique financial tasks, common financial errors, desirable financial outcomes, and additional tips and considerations are highlighted. The life situation worksheet will help you determine which tasks you still need to concentrate on.

If you are single, use the life situation sheet that applies to you as well as the special single situation sheet (L.H. 83-12-7) for additional considerations.

Check (✓) those financial tasks you have completed or are in the process of completing. Star (★) those you need to work on or want to implement. Your financial management score sheet (L.H. 83-12-4) will also give you additional ideas about financial tasks for your situation.

Now go to the section "Common Financial Errors." Check (✓) those errors which you need to work on.

Now set your situation sheet aside; you will use it later.

Step #3: Setting Goals

Setting goals is essential to total financial planning. Financial planning can be described as a coordinated effort to achieve your financial objectives. It involves looking at your entire financial situation in relation to your objectives and then developing and implementing plans to meet these goals.

In addition to setting goals and establishing priorities among those goals, an important element of the financial planning process is to gather all pertinent information. Collect information relating to any employee benefits you have, your insurance policies, real estate and investments, and any retirement or pension plans. Also, gather information that relates to your tax situation, estate plan, and any other details that affect your financial future.

Once this essential information is compiled, the next step is to prepare a personal net worth or balance statement (L.H. 83-12-8) and/or an income statement (L.H. 83-12-9). A net worth statement shows your assets versus your liabilities and is a picture of your financial situation at a given point in time, while an income statement is an accounting of your income sources and expenditures over a period of time, generally one year. Both the net worth and income statements can be valuable tools in helping you make realistic plans.

A net worth statement is also found on pages 5 and 32 in the Nebraska Family Living Account Book included in this packet. A variation of the income statement, the summary of income and expenses found on pages 30 and 31 of the Nebraska Family Living Account Book can be used as well.

People who set goals for themselves are often more successful than those who don't—they know where they're going and what they want to achieve. You may choose to use the enclosed "Want List" sheet (L.H. 83-12-10) to help you define your financial goals.

On the Want List write down what you want, then estimate when you want it. For some goals such as a comfortable retirement or college education, the year you want to achieve this goal will be fine. Other goals, such as a vacation trip to Colorado next summer or new living room furniture, may need both a month and year for the date wanted.

You may want to think in terms of short-term and long-term goals. Short-term goals are what you want to have or do within one year, while long-term goals are to be achieved during the years to follow.

After setting the date, estimate what the probable cost will be. Then determine the amount you need to set aside in goal savings each year and each month.

Now comes the hard part. Set aside that amount each month before you begin to pay for current expenses. Perhaps payroll deduction or an automatic deduction

from your checking to your savings account will make it easier for you to accumulate your goal-related nest-egg. Of course, for long-range goals, you'll want to be sure your nest-egg is invested where the rate of return will at least stay even with the rate of inflation.

Family communication on goals is important so everyone understands just what the family is working for and why money is being set aside. For both couples and single people, writing down goals will help you clarify plans.

For many people it becomes easier to work **with** and **for** goals once they are written down. Written goals seem more real and people feel a stronger commitment to them if they are in black and white. In fact, after you have your discussion about goals and come to an agreement about which ones are important, you may want to write them down and have everyone in the family sign the sheet of goals.

Priorities can also help family members cooperate as they work toward common goals. Everyone knows and agrees on what's most important **right now.** Because a new car is higher up on the list of priorities for the family, Junior knows he can't have a new bike for a couple of years.

Another tip to help you set priorities is to determine which goals are needs and which are wants. **Needs** are those things you really **must have;** wants are those things which would be **nice to have.** Food is a need, but steak three times a week is a want for many of us. In some situations, whether something is a "need" or a "want" depends on the values and plans of the specific family. For example, a second car for the Smiths who live in a town with adequate mass transportation is a want, but for the Jones family who live on a farm 15 miles from town, that second vehicle may be a real need.

Activity

You are now ready to use the Financial Plan Form (L.H. 83-12-11) to help you plan for your financial future.

Once your objectives have been established and your present financial position considered in relation to goals and individual/family situation, then you are ready to develop and put your plan into action.

A very important part of that financial plan would be your budget or that annual/monthly/weekly spending plan you use to manage your income and expenditures.

Step #4: Estimating Income

The next step in developing a budget is to add together all sources of income during the year, including take-home pay, interest, dividends, bonuses, etc. You may want to use the enclosed income statement sheet (L.H. 83-12-9) for this purpose (the income sheet also includes space for planning expenses in Step #5). If you have only a regular income, this step is relatively easy to do. But if you're self-employed, your income is probably irregular, so complete this budget step by determining just how much you have available for living expenses by examining personal and family goals, business goals, and living and business expenses. If your income fluctuates, underestimate your income and overestimate expenses. Avoid relying heavily on bonuses or overtime pay.

If you don't have a regular income, you may find it beneficial to set up a budget, conservatively estimating your income and overestimating your anticipated expenses. Plan your spending for minimum living expenses each month. Then, when income does arrive, put it into the bank and draw it out following your plan. If you get a large check, resist that temptation to buy something extra; that money might have to last for more weeks or months than you think. If, as the year goes on, you realize your earnings are falling short of covering your minimum living expenses, immediately adjust your budget downard. If there's extra money beyond living expenses, put it in the bank or savings and loan or credit union as part of your savings and investment plan. Then, the following year, use this surplus for those "extras" such as a vacation, new refrigerator, or special investment. By taking special purchases out of your accumulated surplus from the previous year, you'll find it easier to keep your living expenses within the limits you expected for the year.

If you can predict when your smallest income month or months are, a **second way** to handle irregular income is to develop a budget using that smallest income amount as the basic monthly income. Plan your expenses to fall under that amount. That supplemental plan should also include a priority listing which will help you know which item will be bought first, which second, etc. It would also be to your advantage to work with insurance companies and the others to schedule as many of the irregular expenses as possible to fall during the higher income months.

A **third way** to handle irregular income would be to figure basic expenses for the months you expect to receive little or no income. For example, suppose you expect no income for three months, and your basic living expenses are $2,250 for those three months. During the rest of the year a proportionate share of the amount needs to be set aside. That is, one ninth of $2,250 or $250, needs to be set aside each of the nine months for use during the three-month period when you expect no income.

Step #5: Estimating Expenses

The next step is to decide how income will be spent

during the year. To help you look at expenses, consider three categories of expenditures: fixed expenses, flexible expenses, and irregular expenses.

Fixed Expenses

Figure fixed expenses. Examples include rent or mortgage payment, utilities, installment loans, credit card minimums, and babysitting while both parents are employed or when the parent is away from home in a one-parent household. Savings, including savings for goals and savings for an emergency fund, should be considered as fixed expenses.

Credit debt payments. An important part of fixed expenses are those which go for credit debt repayment, ranging from the mortgage payment for your home to various charge accounts and credit card bills. See the enclosed credit sheet (L.H. 83-12-12) for more information on using credit. Also included are two worksheets to help you devise your own system for keeping track of credit charges and accounts.

Savings. If you don't make goal savings a fixed expense and pay yourself first, as the saying goes, you'll probably find it difficult, if not impossible, to accumulate savings to reach your goals. It just doesn't work for most of us to say we'll put what's left at the end of the month into the savings account.

Activity

See the enclosed Savings Worksheet (L.H. 83-12-13) for more information on determining how much savings you need. The Emergency Fund sheet (L.H. 83-12-14) will help you think about one of the most important concepts in budgeting.

Personal allowances. Another very important concept in budgeting is the personal allowance.

A personal allowance is an amount of money to cover personal expenses. You decide just what is to be covered. Some examples of items included in some personal allowances are books and magazines; contributions; lunches; school supplies; small items of clothing; grooming needs including barber and beauty shop expenses; club or school fees; recreation expenses such as hobbies, dates and sports; and snacks and coffee breaks.

Who should have a personal allowance? Everyone in the family, including adults. Why? An allowance gives everyone a feeling of independence, from a practical standpoint, and gives them something to splurge with if they choose to do so. So the personal allowance can provide a safety valve for the family's budget.

To make personal allowances work, give each person control of their own allowance. No accounting of where the money went will be needed (except what they decide to do for themselves if they choose to do it).

Some people refer to their personal allowances as "mad money" or "H.O.K. money"—that stands for "heavens only knows"!! The key is to let everyone have a certain amount of money for which they don't have to account to anyone.

Flexible Expenses

These are the day-to-day expenses which change frequently and are often the hardest to account for. Examples include food, clothing, household expenses, medical care, a part of your utilities bills, and entertainment. This is the part of the budget where the greatest adjustments can be made when necessary. If you have no records to help you estimate what your various monthly expenses are for flexible items, keep track of your expenses for two or three months to help you get a better idea.

You cannot use a ready-made budget for someone else because we all think different things are important and, therefore, have different spending priorities.

Irregular Expenses

Some major fixed expenses come up periodically throughout the year. Insurance premiums and taxes are good examples. So are organization dues, magazine subscriptions, and Christmas gifts. These and other irregular expenses will be flexible in both amount and/or timing. Look over your past records and make "educated guesses" as to when irregular expenses are likely to occur. Total up the amount you'll likely need during the year. By dividing that figure by 12, you'll have the amount to set aside each month for irregular expenses.

Step #6: Balance the Budget

Subtract fixed expenses, including an amount for all types of savings, from your expected income. Then, subtract the total amount of flexible expenses from what is left of income. If you need to cut back on your expenses, start first with the flexible expenses, then move to irregular expenses and, finally, to fixed expenses. If you have a surplus after subtracting expenses from income, consider adding more to your savings (see L.H. 83-12-15 for an example of an annual budget form. Use the planned column to help determine annual budget figures).

Steps #7 & #8: Put Your Plan Into Action and Adjustment

These are probably the hardest steps in using a budget. Keep records of actual spending and compare them with your budget plan at the end of the month. Adjust your plan figures if necessary. It may take several months of adjusting and re-adjusting before your plan works smoothly. The Cash Flow Statement,

L.H. 83-12-16, can be used to summarize your monthly figures. Recordkeeping Systems, L.H. 83-12-17, will give you additional suggestions for choosing a workable recordkeeping system.

If you have more than one earner in your household, the enclosed publication, When There Are Two Earners in the Household, L.H. 83-12-22, has tips and suggestions.

The Cash Flow Planning Form, E.C. 77-2223, is another example of a form for planning and/or recording actual expenses. The enclosed Nebraska Family Living Account Book is a third example of what might be used in planning and recordkeeping. This account book includes examples of a goals worksheet, beginning and ending balance statement (pages 5 and 32), monthly record sheets (pages 6 through 29), an annual summary statement (pages 30 and 31), a sheet for planning irregular expenses (page 33), an emergency fund planning sheet (page 34), and a credit record sheet (page 35).

Step #9: Use for Future Planning

If you put a lot of effort and time into developing and keeping a budget and its accompanying system, it only makes sense to use that budget and those records to help you plan your financial future. Budget records can help you pinpoint spending leaks or spot potential trouble spots before they occur. At the end of the year, use budget form L.H. 83-12-15 or another budget form to help you summarize actual expenses and develop plans for the coming year.

What If You Have Problems

When a person or family has financial problems such as unemployment, disability, accident, or credit overextension, there are basically three things they can do:

1. Increase income.
2. Decrease living expenses.
3. Adjust credit debt payments.

Increase Income

To increase income, someone who is not presently employed may start to work outside the home. Income can also be increased by increasing the number of jobs employed people now have ("moonlighting"). Employed family members may consider changing jobs. Finally, income will increase if the family qualifies for some financial assistance, public or private.

Decrease Living Expenses

Living expenses can be decreased in only two ways: 1. cut down, or 2. cut out. That's pretty blunt, but it is the bottom line when it comes to trying to decrease living expenses. With inflation as it is, it's even harder for a person or a family to cut living expenses. Yet, it has been estimated that more than 90 percent of the households in the United States could cut their living level by as much as 25 percent and not be hurt.

Deciding where and how much to cut is often difficult. As difficult as the "cutting" process is for one person, the situation is compounded if that person lives in a family situation. You may be able to control your own "urge to splurge" but find it difficult or impossible to say "no" to a child or spouse. A tip is to try to get everyone to agree (compromise if you must) on where to cut and for how long. Some families periodically go on a "spending fast"—they eliminate or cut back spending to a basic living level. Then they use the extra money for a family treat or to meet an unexpected bill. So if the cut is not permanent, family members may be more agreeable.

Above all, communicate with the people with whom you live when the budget needs pruning. Most will be cooperative if they know what the situation is and realize that the family budget needs their help.

Adjust Credit Debt Payments

Contact creditors before you miss a payment. If they know your situation and your intentions, they may be willing to work out a plan for repayment with you, by refinancing the debt, extending the loan period, or accepting partial payments until the crisis is over.

Try to lower credit debt payments with the cooperation of the creditors. Make a list of present debts showing monthly amounts due and the total still owed. Then, show the monthly spending plan which will include how much is available for credit debt payments. Take that total amount available for credit debt payment and set up a proposed repayment plan to enable you to pay off all your creditors. Finally, talk to each creditor and try to get them to agree to let you cut back on your monthly payments. If a majority of creditors agree, you may find you can still make it on your own.

As a second alternative for adjusting credit debt, consider a debt consolidation loan for temporary relief, but realize that by decreasing the amount of payment, you are increasing the length of time you will be committed to these debts. As a final alternative bankruptcy may be considered, but **only** if other alternatives will not work.

Above all, don't add to your present credit debt situation until you have some of your old debts paid off. Remembering the "15 percent of take-home pay" guide[1] should help you keep your head above water.

Generally speaking, the following priority listing is a quick checklist for deciding which creditors to pay first:

First Priority—landlord or mortgage holder, utility companies, car loans, insurance premiums
Second Priority—finance companies, credit cards
Third Priority—retailers, doctors, dentists, hospitals

Your knowledge of creditors in your community will tell you whether this priority listing is realistic for you. For example, in some communities the medical profession turns over the delinquent bills rather quickly so you would not want to delay your payments to them.

Before you do miss a payment, know what will happen. Read your contract. Is there a grace period after the due date? Will a penalty or late charge be added to the debt? If you miss one payment, will the remainder of the debt become due immediately?

Solving financial problems requires communication and cooperation in working out a mutually agreeable solution. It takes time and often a lot of hard work, but it can be done. A third party, such as a family counselor, social worker, minister, extension agent, a member of the financial community, or the Consumer Credit Counseling Service (located in Lincoln and Omaha) may be of help.

1/ As a general rule, credit debt payments should not exceed 15 percent of your take-home pay. In emergencies, however, this limit can be raised as high as 20 percent, but preferably only for a short time.

Prepared by Kathy Prochaska-Cue and Marilyn Sugden, family economics and management specialists, Cooperative Extension Service, the University of Nebraska-Lincoln, as part of the "Budgeting: The Basics and Beyond" learn-at-home course, 1983.

RESOURCES USED IN PREPARATION OF THE COURSE

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Your Federal Income Tax, Publication #17, Department of Treasury, Internal Revenue Service.

The Cooperative Extension Service provides information and educational programs to all people without regard to race, color, national origin, sex or handicap.

HOW'S YOUR FINANCIAL MANAGEMENT SCORE?

Yes	No	Needs Improvement	
			1. A set of financial goals has been established
			a. for the next twelve months.
			b. that are long term.
			2. To meet financial goals, plans have been developed
			a. for the next twelve months.
			b. that are long term.
			3. A net worth statement is prepared at least once a year.
			4. A monthly (or weekly) spending plan is followed.
			5. An emergency fund to cover two to three months of living costs is provided.
			6. A percentage of income is deposited into savings each month.
			7. No more than 15-20% of take home pay is spent to pay off debts (excluding mortgage payments).
			8. The financial recordkeeping system used
			a. provides an easy access to financial papers and receipts.
			b. is kept up-to-date monthly.
			9. A record is kept of all credit card account numbers.
			10. A record is kept of all credit card transactions, including purchases and amounts paid on balances.
			11. The total finance charges paid on credit transactions are known.
			12. In case of emergency, a close relative or friend knows the location of important financial papers.
			13. There are adequate insurance and other death benefits to meet the needs of dependents.
			14. The primary beneficiaries named on life insurance policies are up-to-date.
			15. Secondary or contingent beneficiaries have been named on life insurance policies.
			16. How life insurance benefits will be paid is known.
			17. The basic coverages of health insurance policies, including the amount of the deductibles, coinsurance provisions, maximum limits and major exclusions are known.
			18. In the event of total and permanent disability, adequate disability income benefits have been provided.
			19. An inventory of personal property is up-to-date.
			20. Homeowner's insurance would cover loss or damage to both personal property and any dwelling/private structures owned.
			21. Personal liability insurance is adequate.
			22. Current investment program is consistent with investment objectives.
			23. A portion of the investment portfolio owned can readily be converted to cash.

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Yes	No	Needs improvement	
			24. The rate of return is known on each investment.
			25. Plans have been made for retirement.
			26. Throughout the year, a file is kept of tax deductible items—including receipts and cancelled checks needed at tax preparation time.
			27. In preparing income taxes, all allowable income tax exemptions, deductions, and credits are taken.
			28. Plans have been made for estate transfer.
			29. An up-to-date will for each adult is part of the total financial plan.
			30. Professional financial advice is sought when there are questions or problems which can't be answered.

or those categories marked "no" or "needs improvement," consider developing strategies for changes on your Financial Action Plan (L.H. 12-11) in this Learn-at-Home packet.

pared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-coln, 1983.

LIFE SITUATION SHEETS

INDIVIDUALS/COUPLES 18-24 years old WITH CHILDREN

Unique Financial Tasks

- Establish household
- Train for career
- Attain financial independence
- Purchase needed insurance (health, life, disability, liability, and property)
- Establish financial identity
- Establish savings program
- Develop an overall financial plan
- Make a spending plan
- Develop effective financial recordkeeping system to be maintained throughout life cycle
- Develop effective financial planning system

Common Financial Errors

- Overcommitment of income
- Failure to manage financial resources
- Failure to make short and long term goals and financial plans
- Failure to recognize and develop human potential
- Failure to use professional expertise
- Emphasis on current needs and failure to anticipate changes in the life cycle
- Lack of disability insurance
- Failure to keep financial records
- Failure to understand contracts

Desirable Outcomes

- Financial needs assessed
- Short and long term economic and social goals determined
- Consumer knowledge and skills developed
- A balanced spending, borrowing and savings plan
- Knowledge and access to financial and legal records and documents
- Attention to balanced view of obtaining, protecting and using financial resources
- Use of professional expertise
- Pay optimum, but not maximum, income taxes

Additional Considerations

- What are you doing toward saving for home ownership?
- How are you educating your children in handling financial matters?
- Have you adequately covered the life of major earner(s)?
- What have you done to assure homemaker's services?
- Have you drawn separate wills?
- What are your plans for rearing your children if you, your spouse, or both are deceased?
- Have you protected your financial position by how you own property with your spouse?

Tips

- Take a realistic look at the financial costs of a child before deciding to have one or more.
- Be sure both of you know how to use the recordkeeping system.
- Repay educational loans and other credit debts promptly to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Experiment with different money management systems to find the one you both like best.
- If married, how would divorce affect your finances?

These life situation sheets were adapted from materials written by the American Council on Life Insurance and Colorado State University.

INDIVIDUALS/COUPLES 25-34 years old
WITH CHILDREN

Unique Financial Tasks

- Provide for child bearing and rearing costs
- Provide for expanding housing needs
- Expand career goals
- Manage increased need for credit
- Develop an overall financial plan
- Provide for training/education funds
- Purchase additional protection coverages (needed insurance)
- Draw wills
- Maximize financial management skills of all members of household

Common Financial Errors

- Overcommitted income
- Lack plans for education expenses
- Failure to investigate housing alternatives
- Lack of sufficient long and short term protection coverage
- Failure to do effective tax planning/management
- Lack realistic family/personal goals
- Failure to assess impact of single or dual income
- Failure to view education as investment in one's future
- Failure to involve other family members, especially children, in financial matters
- Lack of disability insurance

Desirable Outcomes

- Economic and social goals adjusted
- Consumer, legal and financial knowledge acquired
- Financial security program (savings, insurance, investment) expanded
- Investment in additional education/training
- All family members develop financial skills appropriate for age and role
- Pay optimum, but not maximum, income taxes

Additional Considerations

- What are your financial plans for your children's education and training?
- What are your options and plans for financing housing now and in the future?
- How are you covering increasing financial risks as your children grow and develop?

Tips

- Take a realistic look at the financial costs of a child before deciding to have one or another one.
- Be sure both of you know how to use the recordkeeping system.
- Repay educational loans and other credit debts in time to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Experiment with different money management systems to find the one you both like best.
- Separate financial accounts will help to maintain separate financial identities.
- If both are employed, analyze methods to reduce income taxes.
- Step up or increase savings and investments for future security.
- If married, how would divorce affect your finances?

INDIVIDUALS/COUPLES 35-44 years old WITH CHILDREN

Unique Financial Tasks

- Upgrade career training
- Continue to build education fund
- Maximize head-of-household protection (insurance)
- Establish and work toward retirement goals
- Develop an overall financial plan
- Provide greater income for expanding needs

Common Financial Errors

- Overuse of credit
- Failure to provide funds for major replacements
- Failure to provide adequate insurance
- Failure to provide for retirement
- Failure to increase primary income and seek alternative sources
- Failure to manage increased number and complexity of financial needs
- Lack of disability insurance
- Failure to do effective tax planning/management

Desirable Outcomes

- Economic goals redefined
- Financial security programs continued/strengthened
- Diversify primary and secondary income sources as needed
- Financial obligations and resources controlled
- Pay optimum, but not maximum, income taxes

Additional Considerations

- How are you handling increased child rearing costs?
- What plans are you making for maximizing income(s) as your children approach college age?
- How involved are your children in handling financial matters?

Tips

- Be sure both of you know how to use the recordkeeping system.
- Repay credit debts promptly to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Separate financial accounts will help maintain separate financial identities.
- If both are employed, analyze methods to reduce income taxes.
- Step up or increase savings and investments for future security.
- Consider the financial responsibility you may have for others (parents, etc.) in the future.
- If married, how would divorce affect your finances?
- Provide for replacement of cars, major appliances, and household equipment.
- Take a realistic look at the financial aspects of having a child before deciding to have one.

INDIVIDUALS/COUPLES 45-54 years old
WITH CHILDREN

Unique Financial Tasks

- Provide higher education/training for children
- Maximize investments
- Evaluate and update retirement plans
- Communicate with family members about estate plans
- Assess and explore estate plan
- Develop an overall financial plan

Common Financial Errors

- Failure to provide sufficient retirement funds
- Failure to adjust to changing life styles
- Failure to be realistic about government and private pension plans
- Failure to manage (actual/potential) increased income
- Failure to utilize professional expertise available
- Lack of disability insurance
- Failure to do effective tax planning/management

Desirable Outcomes

- Spending, savings and investment plans adjusted to changing personal/family situation
- Retirement plan updated
- Family members aware of estate plan provisions
- Pay optimum, but not maximum, income taxes

Additional Considerations

- What are your plans regarding housing costs as children leave home?
- Have you made changes in wills and other legal papers as children have left home, married, etc.?

Tips

- Be sure you and one other person know how to use the recordkeeping system.
- Repay credit debts promptly to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Separate financial accounts (for those with partners) will help maintain separate financial identities.
- If both are employed, analyze methods to reduce income taxes.
- Step up or increase savings and investments for future security.
- Consider the financial responsibility you may have for others (parents, etc.) in the future.
- If married, how would divorce affect your finances?
- Provide for replacement of cars, major appliances and household equipment.

INDIVIDUALS/COUPLES 55-64 years old
WITH CHILDREN

Unique Financial Tasks

- Consolidate financial assets
- Provide for additional future security
- Re-evaluate method of intended property transfer
- Investigate part-time income or volunteer work for retirement
- Assess housing location and expense for retirement
- Meet responsibilities for aging parents and other dependents
- Develop an overall financial plan

Common Financial Errors

- Lack of supplemental retirement funds
- Inadequate pensions and Social Security income
- Lack of adjustment to income changes
- Failure to readjust insurance coverage
- Lack of disability insurance
- Failure to do effective tax planning/management
- No will or out-of-date
- Lack of knowledge about the utilization of community resources
- Failure to explore alternatives/options in advance of retirement

Desirable Outcomes

- Realistic understanding of retirement situation
- Knowledge of retirement income at different age levels
- Pay optimum, but not maximum, income taxes
- Alternative sources of retirement income arranged
- Savings, insurance and investment program updated
- Revised estate plan or will

Additional Considerations

- What have you done to change your estate plans as your children have left home?

Tips

- Be sure both of you know how to use the recordkeeping system.
- Separate financial accounts will help maintain separate financial identities.
- What will happen to your estate if both die simultaneously?
- If married, how would divorce affect your finances?
- Provide for replacement of cars, major appliances, and household equipment.

INDIVIDUALS/COUPLES 65 and older WITH CHILDREN

Unique Financial Tasks

- Re-evaluate/adjust living conditions and spending as they relate to health and income
- Evaluate and adjust programs for increasing risks
- Secure reliable assistance in managing personal and economic affairs
- Review plan for sharing estate and make necessary changes
- Finalize letter of last instructions
- Develop an overall financial plan

Common Financial Errors

- Failure to consider life style alternatives
- Failure to identify and use community resources
- Failure to adjust spending to true economic situation
- Failure to develop and implement a plan for sharing one's estate
- Failure to recognize and accept the interdependence of self and others and to seek help as needed
- Failure to write letter of last instructions
- Failure to finance leisure activities
- Failure to do effective tax planning/management

Desirable Outcomes

- Satisfactory life style maintenance
- Appropriate health care, liability coverage and supplemental income provisions made
- Use of consumer knowledge and skills and community resources maximized
- An orderly plan for transfer of property provided
- Pay optimum, but not maximum, income taxes

Additional Considerations

- Have you discussed personal wishes and future living arrangements with children?
- If either of you become ill or incapacitated, would your children help?
- Will your children supplement your income?

Tips

- Be sure both of you know how to use the recordkeeping system.
- If married, how would divorce affect your finances?
- Provide for replacement of cars, major appliances and household equipment.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

LIFE SITUATION SHEETS

INDIVIDUALS/COUPLES 18-24 years old
NO CHILDREN

Unique Financial Tasks

- Establish household
- Train for career
- Attain financial independence
- Purchase needed insurance (health, disability, liability and property)
- Establish financial identity
- Establish savings program
- Make a spending plan
- Develop effective financial recordkeeping system to be maintained throughout life cycle
- Develop effective financial planning system
- Develop an overall financial plan

Common Financial Errors

- Overcommitment of income
- Failure to manage financial resources
- Failure to make short and long term goals and financial plans
- Failure to recognize and develop human potential
- Failure to use professional expertise
- Emphasis on current needs and failure to anticipate changes in the life cycle
- Lack of disability insurance

Desirable Outcomes

- Financial needs assessed
- Short and long term economic and social goals determined
- Consumer knowledge and skills developed
- Knowledge and access to financial and legal records and documents
- Attention to balanced view of obtaining, protecting and using financial resources
- A balanced spending, borrowing and savings plan
- Use of professional expertise
- Pay optimum, but not maximum, income taxes

Additional Considerations

- What have you done about a will?
- What plans have you made toward saving for home ownership and/or other high-priced goals?

Tips

- Be sure you and at least one other person know how to use the recordkeeping system.
- Repay educational loans and other credit debts on time to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Experiment with different money management systems to find the one you like best.
- If you have a partner, how would divorce affect your finances?
- Separate financial accounts will help to maintain separate financial identities.
- If you have a partner, do you have separate wills?
- Have you agreed on a division of financial obligations with your partner?

These life situation sheets were adapted from materials written by the American Council on Life Insurance and Colorado State University.

INDIVIDUALS/COUPLES 25-34 years old
NO CHILDREN

Unique Financial Tasks

- Expand career goals
- Manage increased capacity for credit
- Develop overall financial plan
- Provide for child bearing and rearing costs if children are planned
- Provide for expanding housing needs if children are planned
- Provide for training-education funds
- Purchase additional protection coverages if needed
- Draw a will
- Maximize financial management skills of all members of household

Common Financial Errors

- Overcommitted income
- Lack plans for education expenses
- Failure to investigate housing alternatives
- Lack of emergency fund and savings
- Lack of sufficient long and short term protection coverage (insurance)
- Lack realistic personal/family goals
- Failure to assess impact of single or dual income
- Failure to view education as investment in one's future
- Failure to involve all household members in financial matters
- Lack of disability insurance
- Failure to do effective tax planning/management

Desirable Outcomes

- Economic and social goals adjusted
- Consumer, legal and financial knowledge acquired
- Investment in additional education/training
- All family members develop financial skills
- Financial security program (savings, insurance, investment) expanded
- Pay optimum, but not maximum, income taxes

Additional Considerations

- What are the financial consequences of having or not having children?
- What are you doing to step up or increase savings and investments for future security?
- If both partners are working, have you analyzed methods to reduce income taxes?

Tips

- Be sure you and at least one other person know how to use the recordkeeping system.
- Take a realistic look at the financial costs of a child before deciding to have one.
- Repay educational loans and other credit debts on time to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Experiment with different money management systems to find the one you both like best.
- If married, separate financial accounts will help to maintain separate financial identities.
- Step up or increase savings and investments for future security.
- If you have a partner, how would divorce or separation affect your finances?

INDIVIDUALS/COUPLES 35-44 years old
NO CHILDREN

Unique Financial Tasks

- Upgrade career training
- Continue to build education fund
- Maximize head-of-household protection
- Provide greater income for expanding needs
- Establish and work toward retirement goals
- Develop an overall financial plan

Common Financial Errors

- Overuse of credit
- Failure to provide funds for major replacements
- Failure to provide adequate insurance
- Failure to provide for retirement
- Failure to increase primary income and seek alternative sources
- Failure to manage increased number and complexity of financial needs
- Lack of disability insurance
- Failure to do effective tax planning/management

Desirable Outcomes

- Economic goals redefined
- Financial security programs continued/strengthened
- Diversify primary and secondary income sources as needed
- Financial obligations and resources controlled
- Pay optimum, but not maximum, income taxes

Additional Considerations

- How are you taking advantage of your income(s) to maximize savings and investments?
- What financial responsibilities will you have for others (parents, other relatives) in the future?

Tips

- Be sure you and one other person know how to use the recordkeeping system.
- Repay credit debts promptly to preserve a good credit record.
- Keep careful track of total credit indebtedness to avoid overextension.
- Separate financial accounts will help maintain separate financial identities.
- If you have a partner, how would divorce or separation affect your finances?
- Provide for replacement of cars, major appliances and household equipment.

INDIVIDUALS/COUPLES 45-54 years old
NO CHILDREN

Unique Financial Tasks

- Maximize investments
- Evaluate and update retirement plans
- Communicate with family members or beneficiaries about estate plans
- Assess and explore estate plan
- Develop an overall financial plan

Common Financial Errors

- Failure to provide sufficient retirement funds
- Failure to adjust to changing life styles
- Failure to be realistic about government and private pension plans
- Failure to manage (actual/potential) increased income
- Failure to utilize professional expertise available
- Lack of disability insurance
- Failure to do effective tax planning/management

Desirable Outcomes

- Spending, savings and investment plans adjusted to changing personal/family situation
- Retirement plan updated
- Beneficiaries and/or family members aware of estate plan provisions
- Pay optimum, but not maximum, income taxes

Additional Considerations

- How are you taking advantage of your income(s) to maximize savings and investments?
- What financial responsibilities will you have for others in the future?

Tips

- Be sure you and one other person know how to use the recordkeeping system.
- Keep careful track of total credit indebtedness to avoid overextension.
- If you have a partner, how would divorce or separation affect your finances?
- Provide for replacement of cars, major appliances and household equipment.

INDIVIDUALS/COUPLES 55-64 years old
NO CHILDREN

Unique Financial Tasks

- Consolidate financial assets
- Provide for additional future security
- Re-evaluate method of intended property transfer
- Investigate part-time income or volunteer work for retirement
- Assess housing location and expense for retirement
- Meet responsibilities for aging parents or other dependents
- Develop an overall financial plan

Common Financial Errors

- Lack of supplemental retirement funds
- Inadequate pensions and Social Security income
- Lack of adjustment to income changes
- Failure to readjust insurance coverage
- No will or out-of-date
- Lack of knowledge about and utilization of community resources
- Failure to explore alternatives/options in advance of retirement
- Lack of disability insurance
- Failure to do effective tax planning/management

Desirable Outcomes

- Realistic understanding of retirement situation
- Knowledge of retirement income at different age levels
- Alternative sources of retirement income arranged
- Savings, insurance and investment program updated
- Revised estate plan or will
- Pay optimum, but not maximum, income taxes

Additional Considerations

- If married, have you decided how your estate would be allocated if both you and your spouse die simultaneously?

Tips

- Be sure you and one other person know how to use the recordkeeping system.
- If you have a partner, separate financial accounts will help maintain separate financial identities.
- If you have a partner, how would divorce or separation affect your finances?
- Provide for replacement of cars, major appliances, and household equipment.

INDIVIDUALS/COUPLES 65 and older
NO CHILDREN

Unique Financial Tasks

- Re-evaluate/adjust living conditions and spending as they relate to health and income
- Evaluate and adjust programs for increasing risks
- Develop an overall financial plan
- Secure reliable assistance in managing personal and economic affairs
- Review plan for sharing estate and make necessary changes
- Finalize letter of last instructions

Common Financial Errors

- Failure to consider life style alternatives
- Failure to identify and use community resources
- Failure to adjust spending to true economic situation
- Failure to develop and implement a plan for sharing one's estate
- Failure to recognize and accept the interdependency of self and others and to seek help as needed
- Failure to write letter of last instructions
- Failure to finance leisure activities
- Failure to do effective tax planning/management

Desirable Outcomes

- Satisfactory life style maintenance
- Use of consumer knowledge and skills and community resources maximized
- Appropriate health care, liability coverage and supplemental income provisions made
- Pay optimum, but not maximum, income taxes
- An orderly plan for transfer of property provided

Additional Considerations

- How will your partner be financially cared for if something happens to you?
- What adjustments in living arrangements would be made if either partner became ill or died?
- Have you made plans to share resources with others (churches, schools, etc.)?

Tips

- Be sure you and one other person know how to use the recordkeeping system.
- If you have a partner, how would divorce or separation affect your finances?
- Provide for replacement of cars, major appliances and household equipment.

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LIFE SITUATION SHEET

UNIQUE FINANCIAL CONSIDERATIONS FOR SINGLES

As a single person, you are free to make your own financial decisions, including setting your own financial goals and spending/saving your money as you desire. However, as a single, you also carry total responsibility for those decisions. While you can seek advice from others in gathering information you need, in the final analysis you and only you determine your financial future.

Financial considerations will vary according to whether you're a "beginning single" (establishing a household away from your parents for the first time), an "established single" or "single again" (reentering the single world as a result of divorce, separation, or death).

Before you develop your Financial Action Plan, examine the category below that resembles most closely your individual situation and decide whether any would apply to you.

Beginning Single

Unique financial tasks, common financial errors, and desirable outcomes described on sheets for age group 18-24 years old basically apply.

Tips

1. To establish household, look for ways to save costs.
   a. Start with basic necessities. Distinguish between what you want and what you really need.
   b. Make use of cast-offs from established family members and friends whenever possible.
   c. If you buy, consider garage sales, auctions, second-hand stores to get started.
2. Think about the advantage of sharing housing and living expenses with a roommate.
   a. If you share living expenses with a roommate or housemate, put the details in writing—who pays what, when, and how.
   b. Keep accurate records of household purchases.
   c. Be sure each is legally responsible for his/her portion of rent.
   d. Avoid making major purchases jointly.
3. Evaluate need for life insurance.
   a. Do you have children or parents who are dependent on your income?
   b. Do you have enough savings/assets to cover costs of burial, debts, and estate settlement?
4. As a single, you will probably spend more money on recreation, entertainment and other personal wants than couples—but be sure such spending doesn't jeopardize future financial security.

Established Single

Financial tasks will be similar to those described on the particular situation sheets for your age.

Tips

1. If disability occurs because of illness or accident, you will need to have a plan for taking care of yourself.
   a. Be sure to have adequate disability coverage—consider buying coverage with maximum benefits to age 65 for both accident and sickness.
   b. Have an adequate emergency fund to cover expenses during the waiting period for disability benefits.
   c. Arrange for a power of attorney to act on your behalf.
   d. Consider establishing a trust that could care for you when you cannot manage alone.
2. Look for ways to reduce your tax burden.
   a. Does home or condominium ownership fit into your life style and long-range plans?
   b. Have you taken fullest advantage of tax-exempt investments?
3. Seek professional advice for the handling of your estate.
   a. A will insures your assets will go to whom you name.
   b. Name an executor/executors you can trust to carry out your plans.
   c. To minimize problems in the event of your death, your executor/executors should be able to locate and comprehend your records. Be sure your recordkeeping system is complete and easy to understand
4. As a single, you will probably spend more money on recreation, entertainment, and other personal wants than couples—but be sure such spending doesn't jeopardize future financial security.

Single Again

This particular position crosses all age groups, econo-

mic situations, and life styles. Financial considerations are affected not only by the above but also by the circumstances that led to your being "single again," previous planning by you and your partner for such events, your experiences in making financial decisions, and even your emotional state.

Tips

1. If being "single again" is a result of divorce, recognize that the same amount of money must cover the costs of two households instead of one (unless a nonworking spouse returns to the labor force).
   a. May have to adjust to a downgrading of housing and life style as a result.
   b. Replacement of certain household equipment and furnishings will be necessary. (Refer to first two tips under "Beginning Single" category.)
   c. A nonworking spouse probably will need to upgrade old skills or develop new ones in order to return to the labor force. Educational costs are likely to be incurred.
   d. Special financial decisions include:
      —disposition of family home
      —tax implications of financial settlement
      —medical care and insurance for children
      —also medical care and insurance for a nonworking spouse
      —life insurance policies—premium payments, ownership and beneficiary decisions
      —division of pension and profit sharing plans
      —who claims children as dependents for income tax purposes
   e. Child support and/or alimony payments will be a drain on future income.
   f. Develop a financial plan that fits your new circumstances.
2. If being "single again" is a result of death, the surviving partner must often cope with settling the estate, paying bills, and making numerous other financial decisions at a time when he/she is not emotionally prepared to make such decisions.
   a. Wait several months before making major decisions regarding disposition of property and/or businesses.
   b. Keep inheritance in safe and fairly liquid investments for six months to a year until such time that you have adequate information to assess alternative investments.
   c. Develop a financial plan that fits your new circumstances.
3. "Single again" individuals must learn to make decisions and perform tasks relating to financial and household operation that were previously shared.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

NET WORTH SHEET

As of _____

ASSETS

Current Assets

Cash on Hand	$ _____
Checking Account	$ _____
Savings Account	$ _____
Certificates	$ _____
Money Owed You	$ _____
Tax Refund Due	$ _____
Cash Value-Life Ins.	$ _____
Stocks/Bonds	$ _____
Mutual Fund Shares	$ _____
Other _____	$ _____
_____	
_____	
_____	
Total Current Assets	$ _____

Fixed Assets

Automobiles	$ _____
Home	$ _____
Personal Property	$ _____
Other _____	$ _____
_____	
_____	
_____	
Total Fixed Assets	$ _____

Deferred Assets

Retirement Plan	$ _____
I.R.A.	$ _____
Other _____	$ _____
_____	
_____	
_____	
Total Deferred Assets	$ _____
TOTAL ASSETS	$ _____

LIABILITIES

Current Liabilities

Auto Loan	$ _____
Installment Debt	$ _____
Personal Loan	$ _____
Charge Accounts	$ _____
Credit Cards	$ _____
Mortgage Loan	$ _____
Insurance Due	$ _____
Taxes Due	$ _____
Other _____	$ _____
_____	
_____	
_____	
Total Current Liabilities	$ _____

Long-Term Liabilities

Auto Loan	$ _____
Installment Loan	$ _____
Personal Loan	$ _____
Mortgage Loan	$ _____
Other _____	$ _____
_____	
_____	
_____	
Total Long-Term Liabilities	$ _____
TOTAL LIABILITIES	$ _____
NET WORTH	$ _____
CURRENT RATIO	_____

NET WORTH SHEET

The advantages of doing a net worth statement as part of your annual financial checkup are that the net worth statement can:

1. Check progress toward goals.
2. Give you a record for insurance purposes.
3. Help you plan for changes in your assets, expenses, income, insurance coverage and other financial areas.
4. Help you determine your capacity for additional credit debt.
5. Help you see if you have an adequate emergency fund.
6. Determine if you are financially liquid.

A sample net worth statement form is attached. Assets (what you own) are listed on the left, and liabilities (what you owe) are itemized on the right.

Include the actual amount of cash you have on hand, actual balances in checking and savings accounts, the present cash value of certificates of deposit (C.D.'s), savings bonds, life insurance, other stocks and bonds, mutual fund shares and other assets. Put the amount of money owed to you under current assets. Add any tax refunds due you in the appropriate space. Actual cash value of personal property will be more difficult to estimate. Put down only what you could expect to receive if you were to sell everything. (You may want to use a household inventory form to help you estimate.) The actual market value of your home and other real estate can be entered under fixed assets. Enter the present value of any retirement plan, including an I.R.A., or other deferred asset in the appropriate spaces.

Next, move on to liabilities. Current liabilities are what you owe within the next year. Long-term liabilities is the place to list commitments extending beyond one year. For example, list what you owe on your mortgage for the next year under "mortgage loan" beneath the current liabilities heading. Put the rest of your mortgage loan liability on the appropriate line under long-term liabilities. Follow the same procedure when deciding where to list the rest of your liabilities.

Subtract total liabilities from total assets to get net worth. Then calculate your current ratio. This is current assets divided by current liabilities. Doing this calculation gives you an indication of your present liquidity. If the current ratio is "1" or greater, you have your current liabilities covered. If the current ratio is less than "1" you may want to think about shifting some of your assets or liabilities so that you have a more favorable current ratio.

By doing a net worth statement at least once a year you can see what progress you are making toward your goals, whether your net worth is increasing or decreasing, what changes you may need to make in assets or liabilities, and how you may need to shift assets and/or liabilities to better your financial position.

Some people like to do a net worth statement more than once a year. Whenever you do one, be sure to date it.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

INCOME STATEMENT

For the period beginning _____ and ending _____

INCOME

Salaries, wages, and bonuses

_____	$ _____	
_____	_____	
Total salaries and bonuses		$ _____

Investment Income

Cash dividends	$ _____	
Interest	_____	
Net realized capital gains	_____	
Rent (net)	_____	
_____	_____	
_____	_____	
Total Investment Income		$ _____
Gifts	$ _____	$ _____
Borrowed Money	$ _____	$ _____
Other		
_____	$ _____	$ _____
TOTAL GROSS INCOME (before taxes)		$ _____

EXPENSES

Taxes

Income taxes (federal, state & local)	$ _____	
Social Security	_____	
Property taxes	_____	
Other taxes	_____	
Total Taxes		$ _____

Fixed Obligations and Financing Expenses

Payments on mortgage note principal (or rent payment)	$ _____	
Mortgage note interest	_____	
Payments on automobile principal	_____	
Automobile note interest	_____	
Payments on other debt		
_____	_____	
_____	_____	

Insurance Premiums:		
Life insurance	$ _____	
Health and disability	_____	
Automobile	_____	
Property and liability insurance	_____	
Total fixed obligations and financing expenses		$ _____
Living Expenses		
Utilities	$ _____	
Household operation and maintenance	_____	
Equipment and furnishings	_____	
Food	_____	
Clothing	_____	
Personal	_____	
Transportation	_____	
Health and medical	_____	
Gifts and contributions	_____	
Education	_____	
Recreation, entertainment, vacations	_____	
Miscellaneous	_____	
Other:		
_____	_____	
_____	_____	
Total Living Expenses		$ _____
TOTAL EXPENSES		$ _____
NET INCOME (Amount available for savings and investment)		$ _____

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

Year 19____

NEBRASKA FAMILY LIVING ACCOUNT BOOK

Name _____

Address _____

The University of Nebraska
Cooperative Extension Service

and

Department of Education and Family Resources
Lincoln

Spending Plan For Family Living Income and Expenses

Getting the most benefit from every dollar you spend requires some advance planning. Planning is what this book is all about, or more specifically, it's about planning your spending. Most us have have limited money resources. More often than not the money that comes in doesn't cover all the family's needs and wants. So we have to make decisions. This book will help you decide what to spend your money for, keep track of how you spend it, where you stand, and to plan for future spending. The only time you can manage your money resources is *before* you spend them. The best way is to use a written spending plan.

A spending plan must be flexible because circumstances and situations can change. For this reason, use a pencil to keep your records. It's much easier to adjust and work with records written in pencil.

Getting Started

The following four steps will help you set up the book and get started.

STEP #1. YOUR FAMILY GOALS. On page 4 you'll find a place to write down your family's goals. Goals are what you are working for — what you hope to accomplish with your money (and other) resources. Many of you may be tempted to skip this step, but you should do it. After all, the purpose of setting goals and record keeping is to help you make wise choices when it comes to spending your money. If your goals are in black and white, you probably will find decision-making a little easier. You'll definitely find you reach more of your goals in the long run if you have taken time to write them down. One goal is already written in for you—a goal everyone should have. (See EC 77-856 (revised) "Estate Planning" for more information on retirement income planning.)

STEP #2. YOUR FAMILY BALANCE STATEMENT. You need to know where you stand. Making out a balance sheet helps you find your net worth on a particular day. This gives you a place to start in planning family spending. On page 5 you'll find a balance statement form. You'll want to make out a beginning balance sheet for today and then, at the end of the year, you'll want to fill out the ending balance statement on page 32. By comparing the two balance sheets, you'll be able to see how your family's financial situation changed during the year.

To fill out the balance statement, use today's current market values and actual amounts for assets. For liabilities, include the amount of principal and interest (if any).

STEP #3. PLANNING FAMILY INCOME AND EXPENSES. You are now ready to think about day-to-day income and expenses. Turn to pages 30-31, the annual summary of family living income and expenses. You'll see suggested column headings (for an explanation of what goes under each heading, turn to the inside back cover.) Income, expenses and savings and investments columns are included. You'll also see some blank columns—these are to write in your own headings.

The INCOME column will include all money coming in, such as paychecks, commission checks, dividends and interest. Be realistic. It's better to be a little under, rather than over, the total actual income amount.

The EXPENSES columns are subdivided into FIXED COMMITMENTS and FLEXIBLE EXPENSES. Fixed commitments are those you *must* pay because of a previous commitment you have made. Examples include insurance premiums (note: include household, automobile and health insurance premiums as part of the housing operation, transportation and health expense columns respectively), loan payments, credit card payments, installment account payments, and the regular housing payment for the home mortgage or rent. FLEXIBLE EXPENSES are those which vary by the month; they are not a regular, set amount, and may not be entirely under your control.

If you receive a paycheck with deductions you may want to staple each paycheck stub into the book. At the end of the year total the amount for each deduction and add to the proper column.

The SAVINGS AND INVESTMENTS columns at the far right of the page include a place for the emergency fund (see page 34), regular and special savings and investments accounts. By using the minus sign (−), you can indicate when withdrawals are made from accounts as well as when deposits are made.

All columns are only suggestions; this book will work best for you if you consider your own situation and add or delete columns because of your own circumstances. Just remember to be consistent. Once you decide to include an item in a particular column, include it in that same column throughout the year. Note any changes you make on the inside back cover.

After you decide on column headings for the annual summary page, change the headings on each monthly record page to correspond.

Find the "monthly estimates for this year" line, the third line from the bottom of the annual summary form. Estimate what your monthly total for each column will be. To do this, look at whatever records you may have: checkbooks, other record books and receipts. Record these estimates in pencil. You may find you need to adjust your estimates after you try out your spending plan for a few months.

Transfer the monthly estimate figures for each column to the bottom line labeled ESTIMATES on the monthly record page.

As You Go Through the Year

STEP #4. RECORDING YOUR ACTUAL FIGURES. One person in the family should be in charge of seeing that actual spending figures are written in this book. Other family members will need to cooperate by letting the recorder know what they have spent or made. If you can't remember, try writing it down. The more accurately each family member remembers what he or she spent or made (to the nearest dollar), the more accurate a picture of family spending you'll have at year's end.

To enter an item in the monthly record beginning on page 6, write the date and item description (what it is and, perhaps, who for). Put the amount (to the nearest dollar) under the correct column. Use a ruler to help you stay on the right line. There are 35 lines for each month, so you will be able to use more than one line for some days. If you run out of lines, decide how important it is for you to know the exact date of each item. If you don't think the exact date is important to you, consider adding lines by taping in paper near the bottom of the page — just remember to put the paper in the book so you can still see the lines labeled ADJUSTMENTS, TOTALS and ESTIMATES.

At the end of the month add up the figures in each column. Write down on the total line and transfer to the annual summary page. Circle tax deductible items in red—this makes tax preparation easier.

Helps For You

Several optional record forms are included in this book. They are intended to help you. Look at each and decide whether you want to use it.

REGULAR PAYMENTS TO BE MADE DURING YEAR on page 33 is a place where you can list your known regular (and irregular) payments. Put down the car insurance premium, favorite magazine subscription, and not-so-favorite personal property taxes—all the things you need to remember but which may not have a regular monthly payment. After you write down all you can think of, add to find the total commitments for each month. Remember to check this page at the beginning of each month, and you'll have the amount you'll have committed for that month. Some of these items are included in some families' EMERGENCY FUNDS.

The EMERGENCY FUND on page 34 is another optional form. You may want to include some of the REGULAR PAYMENTS from page 33. In addition, consider including the deductibles for your insurance plans, a certain amount for appliance and vehicle repair (use old records and the age of the item to decide how much you'll want to have set aside.) The first year you work with an emergency fund will be a trial period. You'll probably be experimenting and building up an emergency fund. After the first year, you should have a better idea of what you need. Your emergency fund will be a constantly changing fund that you'll plan to draw money out of when the need arises. By regularly putting money back into it, there should be money available when you need it.

Many families find a record like CREDIT CARD AND CHARGE ACCOUNTS on page 35 helpful. Recording account numbers here is a good idea. To make this sheet work for you, record each purchase, the date charged and the amount. When you pay the bill, fill in the final column. By glancing at the last column you will be able to tell what your outstanding balance on any one account is—if your record keeping is up-to-date. For accounts you use frequently, tape in a strip of paper to add more spaces.

At the end of the month you may want to divide the expenses in your credit card and charge accounts by the expense categories used in the monthly and annual records. Doing this will mean your records will be more accurate. Use the ADJUSTMENTS line on the montly record to add in expenses under the proper column heading and subtract these amounts from the column CHARGE PAYMENTS. On the other hand you may decide not to divide charge expenses by the type of expense and just leave the entire charge figure in the CHARGE PAYMENTS column. Decide which method best suits your purpose. Be consistent.

With many more people growing gardens and preserving produce (and for many farm and ranch families with other home-grown foods), you may want to use the SUMMARY OF HOME-PRODUCED FOODS USED on page 36. At the end of the month, total the dollar values of all home-produced food used during that month. Then add that figure to the FOOD column on the ADJUSTMENTS line.

At Year's End

Complete the SUMMARY OF FAMILY LIVING INCOME AND EXPENSES on pages 30-31. By considering how close you came to your monthly estimates for each column, you can then decide on monthly estimates for the next year. Write these figures in the bottom line of this year's summary and the MONTHLY ESTIMATES FOR YEAR line on next year's summary.

To help you consider how you did during the year, complete the five simple calculations at the bottom of the SUMMARY. Determine TOTAL FIXED COMMITMENTS: if that figure minus home mortgage payments is more than 15 per cent of your total income you may want to consider some ways to reduce your fixed commitments on the family income. Find the TOTAL HOUSING EXPENSE figure to give you an accurate picture of what it costs your family for shelter. The TOTAL FLEXIBLE EXPENSES figure will give you an idea of what part of your family income goes for these items. The TOTAL SAVINGS AND INVESTMENTS figure will give you an idea of how much your family was able to set aside this year.

The final calculations, HOW DID WE DO, gives you your balance for the year. Did you spend more than you made or did you make more than you spent?

Complete the ENDING BALANCE STATEMENT on page 32. Compare with your beginning balance statement. Did your net worth increase or decrease?

Consider the SUMMARY and ENDING BALANCE STATEMENT pages carefully as you plan for next year's spending. Also take another look at YOUR FAMILY GOALS on page 4; are they still applicable?

You'll find your completed records will help you plan for next year. You'll have a record of when and for what purpose purchases were made; know the total amount of needed fixed expenses; be able to watch the trend of family spending at various times during the year; and have positive information for filling out tax forms.

Remember, it's not so much what you earn as what you do with what you earn that determines the quality of life you and members of your family enjoy. Experience has proven, that when managed skillfully, money provides more of the necessities, pleasures and satisfactions of life than when there is no purposeful plan for its use.

For More Information

Other publications available from the Cooperative Extension Service are listed on the back cover of this booklet. Contact your county extension office or write Agricultural Communications, East Campus, University of Nebraska–Lincoln 68583.

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KATHY PROCHASKA, Extension Specialist
Family Economics and Managment;
Cooperative Extension Service,
University of Nebraska–Lincoln

OUR GOALS—WHAT WE'RE WORKING FOR

GOAL	DATE WANTED	MONEY NEEDED	WE WILL HAVE TO SAVE:	
			YEARLY	EVERY MONTH
Retirement Income		$	$	$
			TOTAL	$

BEGINNING BALANCE STATEMENT
WHAT ARE WE WORTH?

_____ 19___
(Date)

ASSETS— WHAT WE OWN	Value
Current Assets—could be turned into cash within 1 year	
Cash (actual amount)	$
Checking Account (actual amount)	
Savings Accounts (actual amount)	
C.D.'s, Bonds, Stocks (present value of those that mature this year)	
Money Owed You (actual amount)	
Life Insurance (present value)	
Total Current Assets	$
Non-Current Assets—Will last 2-10 years	
Stocks, Bonds, C.D.'s (present value of those maturing during this time period)	$
Mutual Funds (present value)	
Household Goods (present value)	
Car (present "Bluebook" value)	
Total Non-current Assets	$
FIXED ASSETS	
Home (present market value)	$
Other Real Estate (present market value)	
Total Fixed Assets	$
Total Assets	$

LIABILITIES — WHAT WE OWE	Amount
Current Liabilities—Due Within 1 Year	
Charge Accounts (principal & int.)	$
Installment Loans (principal & int.)	
Mortgage Loans (principal & int.)	
Accounts Payable (actual amount)	
Total Current Liabilities	$
Intermediate Liabilities—Due Within 2-10 years	
Installment Loans (principal & int.)	$
Mortgage Loans (principal & int.)	
Total Intermediate Liabilities	$
LONG TERM LIABILITIES—Due After 10 Years	
Mortgage Loans (principal & int.	$
Total Long Term Liabilities	$
Total Liabilities	$

Other Factors Important To Net Worth:

Do you carry insurance for:
1. property loss? _____
2. libability? _____
3. disability? _____
4. medical costs? _____
5. hospitalization? _____
6. life loss? _____

Present Net Worth

Total Assets $_____
Minus Total Liabilities $_____

Gives Present Net Worth $

MONTH OF _____ 19____

DATE	ITEM DESCRIPTION	FIXED COMMITMENTS				FLEXIBLE		
		Life & Disability Insurance	Installment Payments	Charge Payments		HOUSING		
						Payment	Operation	Utilities

EXPENSES

Equipment & Furnishings	Food	Clothing	Personal	Trans.	Health	Gifts & Cont.	Educ.	Recreation		Misc.

MONTH	INCOME	FIXED COMMITMENTS				FLEXIBLE				
		Life & Disability Insurance	Installment Payments	Charge Payments		HOUSING			Equipment & Furnishings	Food
						Payment	Operation	Utilities		
anuary										
ebruary										
Aarch										
pril										
May										
une										
uly										
ugust										
eptember										
October										
November										
December										
Totals for his year	$	$	$	$	$	$	$	$	$	$
Monthly stimates or this ear	$	$	$	$	$	$	$	$	$	$
Difference (+ or −)	$	$	$	$	$	$	$	$	$	$
Monthly stimates or next ear	$	$	$	$	$	$	$	$	$	$

Total Fixed Commitments:

$_____

Add this year's total of 5 columns under heading "fixed commitments"

Total Housing Expense:

$_____

Add this year's totals of 3 columns under "Housing" heading.

HOW DID WE DO?

Total Income for year $_____

Minus Total Expenses for year $_____

Tell Us How We Did $_____ Balance

EXPENSES FOR THE YEAR 19____

ENSES									SAVINGS & INVESTMENTS		
lothing	Personal	Trans.	Health	Gifts & Cont.	Educ.	Recreation		Misc.	Emergency Fund	Savings	
	$	$	$	$	$	$	$	$	$	$	$
	$	$	$	$	$	$	$	$	$	$	$
	$	$	$	$	$	$	$	$	$	$	$
	$	$	$	$	$	$	$	$	$	$	$

Total Flexible Expenses:

$_____

Add this year's total of 13 columns under heading "Flexible Expenses."

Total Savings & Investments:

$_____

Add this year's totals of 3 columns under heading "Savings & Investments."

ENDING BALANCE STATEMENT
WHAT ARE WE WORTH?

_____ 19___
(Date)

ASSETS— WHAT WE OWN	Value
Current Assets—could be turned into cash within 1 year	
Cash (actual amount)	$
Checking Account (actual amount)	
Savings Accounts (actual amount)	
C.D.'s, Bonds, Stocks (present value of those that mature this year)	
Money Owed You (actual amount)	
Life Insurance (present value)	
Total Current Assets	$
Non-Current Assets—Will last 2-10 years	
Stocks, Bonds, C.D.'s (present value of those maturing during this time period)	$
Mutual Funds (present value)	
Household Goods (present value)	
Car (present "Bluebook" value)	
Total Non-current Assets	$
FIXED ASSETS	
Home (present market value)	$
Other Real Estate (present market value)	
Total Fixed Assets	$
Total Assets	$

LIABILITIES — WHAT WE OWE	Amount
Current Liabilities—Due Within 1 Year	
Charge Accounts (principal & int.)	$
Installment Loans (principal & int.)	
Mortgage Loans (principal & int.)	
Accounts Payable (actual amount)	
Total Current Liabilities	$
Intermediate Liabilities—Due Within 2-10 years	
Installment Loans (principal & int.)	$
Mortgage Loans (principal & int.)	
Total Intermediate Liabilities	$
LONG TERM LIABILITIES—Due After 10 Years	
Mortgage Loans (principal & int.	$
Total Long Term Liabilities	$
Total Liabilities	$

ner Factors Important To Net Worth:

you carry insurance for:
. property loss? _____
. liability? _____
. disability? _____
. medical costs? _____
. hospitalization? _____
. life loss? _____

Present Net Worth

Total Assets $_____
Minus Total Liabilities $_____

Gives Present Net Worth $

Regular Payments To Be Made During Year

Item	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
stallment Loans	$	$	$	$	$	$	$	$	$	$	$	$
surance Premiums												
Life												
Health												
Disability												
Automobile												
Household Goods												
Home												
erest To Be Paid												
otes Due												
ortgage Payments												
edges												
Church												
Other												
tirement Plans												
xes												
Personal Property												
ganizations Dues												
agazine Subscriptions												
ewspaper Subscriptions												
TOTALS	$	$	$	$	$	$	$	$	$	$	$	$

EMERGENCY FUND —
FOR THE UNEXPECTED (AND THE EXPECTED)

ITEM TO BE COVERED	AMOUNT NEEDED YEARLY
	$
Total	$

Divide total amount needed yearly by 12 to get the:

Amount to be saved monthly for emergencies

$_____

CREDIT CARD AND CHARGE ACCOUNTS — WHERE WE STAND

Store _____ Acct. Number _____

Date Charged	Item	Amount	Date Paid
		$	

Store _____ Acct. Number _____

Date Charged	Item	Amount	Date Paid
		$	

Store _____ Acct. Number _____

Date Charged	Item	Amount	Date Paid
		$	

Store _____ Acct. Number _____

Date Charged	Item	Amount	Date Paid
		$	

SUMMARY OF HOME PRODUCED FOODS USED

MONTH	EGGS		MILK				MEAT		POULTRY		FRUIT		VEGETABLES		Total
	Dozens	Value	Quarts	Value	Amount	Value	Pounds	Value	Pounds	Value	#'s	Value	#'s	Value	Value
JAN		$		$		$		$		$		$		$	$
FEB															
MARCH															
APRIL															
MAY															
JUNE															
JULY															
AUG															
SEPT															
OCT															
NOV															
DEC															
Total		$		$		$		$		$		$		$	$

While it isn't necessary to keep track of home produce, you may want to, and enter the total dollar value as part of the FOOD column in the monthly summary. At the end of each month, add across all of the dollar values for that month.

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The dollar value of home produce will be the price you could have sold it for to other people. Remember to add the costs of producing the product to the FOOD column for home grown items your family used as food.

6

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SUGGESTIONS FOR CLASSIFYING FAMILY LIVING EXPENSE, INCOME AND SAVINGS

LIFE & DISABILITY INSURANCE
- life & disability insurance premiums

HOUSING—PAYMENT
- rent or mortgage payment

EQUIPMENT & FURNISHINGS
- furniture
- rugs, curtains
- pictures, vases, mirrors
- appliances
- kitchen utensils
- bedding
- linens
- china, silver, glassware
- equipment repair

PERSONAL
- haircuts
- beauty shop
- allowances
- cosmetics
- toiletries
- shaving supplies

GIFTS, CONTRIBUTIONS
- gifts for people outside the family
- marriage, birth gifts
- cards, wrapping paper
- flowers
- charitable donations and contributions
- church, church organizations

MISCELLANEOUS
- union & professional organization dues
- babysitting while working
- legal fees
- income tax, sales tax

INCOME
- salaries
- commissions
- dividends
- All money coming in

INSTALLMENT PAYMENTS
- payments for anything bought on installment plan

HOUSING—OPERATION
- laundry supplies
- locker rental
- paper goods, stationery
- postage
- hired help
- cleaning supplies
- pest control
- repairs for house
- safe deposit box rent
- household property insurance
- property taxes
- yard improvement & supplies
- home preservation supplies

FOOD
- food at home
- food away from home
- snacks, coffee breaks
- school lunches
- home food production

TRANSPORTATION
- Car expenses — gas oil, repairs, tires, licenses, insurance, maintenance, taxes
- parking fees
- bus, plane, train, taxi
- car rental

EDUCATION
- school fees & tuitions
- books & supplies
- magazines, newspapers
- music & dancing lessons

EMERGENCY FUND
- savings account to cover specified expenses (see page 34 for more explanation)

CHARGE PAYMENTS
- payments for anything bought with credit cards or on charge accounts

HOUSING—UTILITIES
- gas & electricity
- waste disposal
- water
- telephone

CLOTHING
- ready to wear
- foot wear
- cleaning & repair
- sewing supplies
- accessories
- alterations

HEALTH
- medical & hospital insurance premiums
- doctor, dentist, occulist
- medicine
- eyeglasses
- first aid supplies
- treatments
- hearing aid

RECREATION
- social club dues
- sports admission & equipment
- movies, paid admissions
- vacations
- records, tapes
- babysitting during recreation events
- tobacco, liquor
- hobby supplies
- cable television
- pets & supplies
- sports licenses
- veterinarian fees for pets

SAVINGS
- passbook savings accounts

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Other Publications Available From The Cooperative Extension Service

EC 76–2040	A Record of Important Family Papers
EC 75–2038	Household Inventory
HEG 75–7	Budget Expense Classifications
HEG 76–30	Life Expectancy and Depreciation of Household Goods
HEG 76–29	Important Family Papers
HEG 77–79	How Much Should We Spend?
HEG 77–69	Money and Children

Extension Work in "Agriculture, Home Economics and subjects relating thereto," The Cooperative Extension Service, Institute of Agriculture and Natural Resources, University of Nebraska–Lincoln, cooperating with the counties and the U.S. Department of Agriculture.

Leo E. Lucas, Director

WANT LIST				
Item wanted	Date wanted	Estimated cost	Amount set aside each year	Amount set aside each month

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

FINANCIAL ACTION PLAN

1. List your financial goals.

2. What tasks do you need to accomplish to reach your goals (consult life situation sheets for ideas)?

3. Place priorities on the tasks you identified in #2.

4. Star (★) the one task you will start today.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

USING CREDIT WISELY

When you have a choice as to whether to use cash or credit for a purchase, use credit for:

*A product that will outlast the payment period.
*Avoiding certain price hikes for big ticket items.
*Taking advantage of sales for needed items.
*Keeping up maintenance on products or persons.

Avoid using credit for:

*Routine day-to-day purchases.
*A way to live beyond your income.

Credit use guidelines include:

1. Know interest rates from different credit sources. Also recognize that different credit sources use different methods in computing when to begin charging interest.
2. Keep an inventory of the numbers of credit card accounts you have. Be sure you have those numbers in a safe place in case a card is lost or stolen. Then notify creditors promptly, so you will not be responsible for someone else using your card.
3. Pay your bills on time.
4. Protect your credit rating if you cannot make payments on time. Call your creditors to see what other arrangements can be made to meet your credit debt obligations.
5. Straighten out mixups or mistakes on credit accounts promptly.
6. Read contract before signing.
7. Maintain credit rating.
8. Keep record of current charges.
9. Know credit laws.
10. As a general credit limit guideline, commit only 10-20% monthly take-home pay for monthly payments (not including home mortgage).
11. Allow short-term debts to total no more than 15% annual take-home pay.

Percentage guidelines depend on your situation. If you have a fairly new mortgage or someone in the family has a severe health problem, for example, the above percentages may be too high. On the other hand, a couple without children and with high-paying professional jobs may be able to handle much higher percentages of their income in credit debt.

You may choose to use the enclosed forms to help you keep track of outstanding credit. Revise them to fit your situation.

Credit Management Form A, the individual account sheet, helps you keep a running balance of the amount you owe on a particular account or credit card. Credit Management Form B, the total credit outstanding sheet, gives you your total credit indebtedness at any particular time. Examples of how each can be used follow.

How Much Credit Can You Handle?

Ask yourself the five following questions to find out what credit debt load your family can handle:

- How much income do you have?
- How much do you spend to meet basic living expenses?
- How much do you now owe?
- How much do you try to set aside to meet future irregular expenses?
- What do you have left over for additional credit payments or other purposes?

If your expenses are greater than your income, you have no additional credit capacity. Additional buying on credit should not be considered.

Income covers expenses, but there is no amount left over. Postpone additional credit obligations until your financial situation improves.

You are not spending as much as your income. The difference is what you have for additional savings, emergencies, and other installment payments. It makes sense not to take on installment payments larger than this amount.

CREDIT MANAGEMENT (EXAMPLE)

FORM A **Visa** **Account**

Date charged	Store	Item	Amount	Bill received	Balance
6/15	K-Mart	Garden Supplies	$32.93	7/20	$32.93
6/17	Team Electronics	Junior's Birthday gift	$45.67	7/20	$78.60
6/18	Uptown Restaurant	Birthday Dinner	$19.85		$98.45
6/18	High Fashions, Inc.	Raincoat for Sis	$67.23	7/20	$105.68
6/25	Classy Motel	Vacation Lodging	$94.18		$259.86
7/3	Visa	Interest	$ 1.86		$261.72
7/3	Visa	Payment	$150.00		$111.72

CREDIT MANAGEMENT (EXAMPLE)

FORM B **TOTAL CREDIT OUTSTANDING**

Date	VISA	M.C.	Sears	ABC Furniture	Total
Jan. 1	$323.54	459.60	0	678.95	$1462.09
Feb. 1	$167.98	0	29.87	560.00	757.85
Mar. 1	0	0	0	440.00	440.00
Apr. 1	0	167.81	0	320.00	487.81
May 1	242.78	0	0	210.00	452.78
June 1	0	0	0	100.00	100.00
July 1	259.86	467.95	0	0	727.81

CREDIT MANAGEMENT

FORM A

_____ **Account**

Date Charged	Store	Item	Amount	Bill Received	Balance

CREDIT MANAGEMENT

FORM B

TOTAL CREDIT OUTSTANDING

Date						Total

SAVINGS WORKSHEET

Savings can be thought of as a three-level financial plan of action for reaching goals and meeting emergencies. The three levels are the emergency fund, the emergency fund cushion, and the investment program. Begin your savings plan by determining how much you need for an

EMERGENCY FUND?

Monthly take-home pay (or the amount you need to live if you are self-employed) $ _____

X 2 or 3 months _____

Total _____

Keep in passbook savings, no-minimum NOW account or money market fund with check-writing privilege. When the amount in the account exceeds the total noted above, move excess into

EMERGENCY FUND CUSHION

How much should be accumulated in the cushion?

Monthly amount (from above) $ _____

X 1, 2, 3 or 4 months _____

Total _____

Keep in certificates of deposit, mutual fund shares, treasury investments, or money markets. Stagger maturity dates. Use this fund also to accumulate money for meeting short-term goals and for your investment program. When the amount in the cushion exceeds the total noted above, move excess into your

INVESTMENT PROGRAM

How much should be accumulated as investments? It's impossible to set a definite guide. Your long-term goals will help you decide what you need in an investment program.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

EMERGENCY FUND

What is an emergency fund (E.F.)? This is a revolving savings fund set up to help you meet those emergencies, both expected and unexpected. The emergency fund is an important key element in anyone's money management system. It provides you with a cushion to help soften the blows of emergencies.

What items might be included in an emergency fund? Actually, any item can be part of an emergency fund if you choose to include it. Some examples (and these are only examples) are: insurance deductibles, coinsurance amounts; health care not covered by insurance; replacement of household equipment and durables; repairs; legal expenses; emergency trips; living expenses for the time period until disability income coverage begins to pay; taxes; school expenses; vacations; and dues. You decide what your E.F. will cover. Irregular expenses may or may not be considered part of your Emergency Fund. More information on irregular expenses follows part 5C, L.H. 83-12-3.

You may choose to use the enclosed "Estimating Emergency Fund sheet to help you in your planning. It is similar to the "Want List" in that the E.F. form includes a place to list the E.F. item, estimated amount, and the set aside amount per year and per month.

What is different about the E.F. form is the column, "probability of annual occurrence." This is the "unknown" factor associated with emergencies. It will take some educated guessing on your part to determine how likely each item in your emergency fund will need to be covered during a year's time. For example, school expenses for a family with school-age children has a probability of annual occurrence of 100% since the children will be attending school; whereas this item would have a zero probability for someone without children and who does not plan to pursue some educational interest themselves.

Common factors that influence the size of an emergency fund are: family size, age of family members, stage of the family in the life cycle, health of family members, and insurance coverage. Other factors include deductibles and coinsurance provisions of insurance coverage, outstanding debts, planned and unplanned repairs and replacements for the home, habits and values, financial responsibility for someone else, economic conditions, income amount and stability and income-earning potential of all family members.

How much should be kept in an E.F.? Obviously, this will vary from situation to situation. As a guideline, many financial experts are now saying a total of three to six months' living expenses should be tagged E.F.

How does the emergency fund work? Ideally, you will have a revolving fund in which you will deposit a set amount each month and withdraw for emergency use. The fund's amount at a particular point in time will vary, depending on the day of the month, when the last deposit was made, and date and the size of recent withdrawals.

Where should an emergency fund be kept? Many financial experts now advise that an E.F. be split into two parts. On the Savings Worksheet (L.H. 83-12-13) these two components are referred to as the Emergency Fund and the Emergency Fund Cushion (refer back to the savings worksheet for more information). The amount in the Emergency Fund Cushion might be divided among various instruments that mature at different points in time so that a part of the E.F. Cushion is always coming due in a short time period. Use the Savings Worksheet to help you determine just what amounts you should have for emergencies and for savings.

Review the performance of your E.F. at least annually. If your fund has too much in it, consider moving some of the money to the less liquid instruments cited above or into your investment program. If you have too little in your fund, revise your monthly contribution to raise the amount.

It will usually take at least a year to get an emergency fund operational. But once set up, it gives peace of mind and provides that cushion most people need.

Estimating Emergency Fund

Item	Estimated amount	Probability of annual occurrence	Set aside amount	
			Per year	Per month
Coinsurance	2200	1:10	200	
Deductible	500	1:4	125	
Repairs	500	1:2	250	
Refrigerator, new	700	1:2	350	
Attorney fees	200	1:5	40	
Living expenses before dis. pays	6000	1:10	600	
		Totals	1565	131

ESTIMATING EMERGENCY FUND

Expense	Estimated amount	Probability of annual occurrence		Amount	
				Per year	Per month
Taxes					
Insurance					
School Expenses					
Fuel					
Vacation					
Other					

ANNUAL BUDGET

For the Year _____ _____

		Planned	Actual	Difference
INCOME				
Salaries, wages, bonuses	$			
Investment Income	$			
(Interest, dividends, etc.)				
Other:				
_____	$			
Total Gross Income	$			
Taxes (Income, property, Social Security)	$			
Total After-tax Income	$			
EXPENSES				
Mortgage note (or rent payment)	$			
Mortgage note interest	$			
Automobile payments (principal only)	$			
Interest	$			
Insurance				
Life Insurance	$			
Health and Disability	$			
Auto	$			
Property and Liability	$			
Living Expenses				
Utilities	$			
Household Operation & Maintenance	$			
Equipment & Furnishings	$			
Food	$			
Clothing	$			
Personal	$			
Transportation	$			
Health and Medical	$			
Gifts and Contributions	$			
Education	$			
Recreation, entertainment, vacations	$			

Miscellaneous	$ _____	_____	_____
Other			
_____	$ _____	_____	_____
_____	$ _____	_____	_____
_____	$ _____	_____	_____
Total Annual Expenses	$ _____	_____	_____

Determine monthly after-tax income by dividing annual after-tax income by 12 $ _____

Determine monthly expenses by dividing annual expenses by 12. $ _____

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

CASH FLOW STATEMENT

For the quarter ending _____

	Month ( )	Month ( )	Month ( )
CASH BALANCE — first of month	$	$	$
SOURCES			
Salaries			
Bonuses			
Investment Income			
(Net interest, dividends, etc.)			
_____			
_____			
Gifts			
Other			
_____			
_____			
TOTAL AVAILABLE	$	$	$
EXPENDITURES			
Mortgage note payment/or rent (principal, interest, taxes, insurance)	$	$	$
Automobile payments (including interest)			
Debt payments (including interest)			
_____			
_____			
Taxes	$	$	$
Insurance premiums			
Life insurance			
Health and disability			
Automobile			
Property and liability			
Living Expenses			
Utilities			
Household operation & maintenance			
Equipment and furnishings			
Food			
Clothing			

Personal			
Transportation			
Health and medical			
Gifts and contributions			
Education			
Recreation, entertainment, vacations			
Miscellaneous			
Other			
TOTAL EXPENDITURES	$	$	$
SAVINGS/INVESTMENTS	$	$	$
CASH BALANCE — End of Month	$	$	$

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

RECORDKEEPING

Many different systems for money management are possible. Whether a particular system is the right one for you depends on you, your temperament, and your situation. Descriptions of various systems follow. Remember that you will still need to take any system and "customize" it to fit you.

How to Keep Track

Envelope System

This system involves using cash in various envelopes or other containers marked for the different expense categories you set up. There is a definite danger in keeping cash at home even in a home safe, so while this system is the simplest, it is also the most dangerous. A running account of expenses can be noted on the outside of the envelopes.

Some people use a calendar to help them control their money. They write down dates bills are due or when payments need to be mailed to reach the creditor by the due date. They then check the calendar each day to see if some financial management activity must take place. One calendar used by everyone in the household as the place to jot down out-of-pocket cash outlays will simplify the recordkeeping system. Then the person in charge of recordkeeping will need only to consult the calendar to account for cash outlays.

Checkbook System

This system involves keeping accurate records in your checkbook. It's a good system if you normally write checks for just about everything. The only expenses you'll be missing are those petty cash items. If you note in the checkbook ledger or a separate notebook where petty cash goes, then the checkbook system can be as complete as the ledger system. The checkbook also has the advantage in that expenses are recorded only one time rather than being transferred to a ledger.

Some couples who choose to use the checkbook system provide for a "wild check," a check which each person carries with them in case of emergencies. It's easier than carrying the entire checkbook. This way you're never stuck needing the checkbook when the other person has it. Single people may also find the "wild check" idea helpful.

Ledger System

This system involves using a ledger or recordbook of some sort to record income and expenses. It is the most detailed and takes the most time of any of the systems, but it also provides the most accurate record all in one place. This system may also be a decreasing ledger system. Monthly budget amounts are noted at the top of each column for the various categories. Then as money is spent it is debited against the "running total" left. An advantage to this particular system is that you know immediately what's left in a particular budget category. An example of this system, the budget control sheet, is included (L.H. 83-12-18).

A calendar can be used as part of the checkbook or the ledger system. As described earlier, use the calendar as a place to note expenses or to plan due dates.

Home Computer Software Packages

A variation of the ledger is using a microcomputer system. As microcomputers become part of more and more households, a natural application is to keep track of family expenses and income.

Handling Petty Cash (Small Miscellaneous Expenses)

Petty cash is money spent and later you can't remember where it went. Maybe it's that extra $5 you write into the check to buy groceries, or the refund money you get when you use coupons or turn in bottles.

Is it important to keep track of petty cash? That depends on your situation. If you're in a fairly tight situation, then you may think it important, even necessary, to keep track of every dollar or even every penny. On the other hand, your situation may be one that you really don't have to keep careful track of where the money goes, but you choose to do so because you feel it's important to know. That way you have more control of your spending.

One caution: remember something that's "petty" one day can add up to quite a sum of money if that petty expense is a regular cash outlay for you. For example, if you have two soft drinks per day out of a vending machine, you'll be spending more than $200 over the course of a year.

If you decide to keep track, try using a small note-

book you can carry with you. Then, as soon as possible record your petty cash expenditures. Or write down amounts on slips of paper such as receipts.

You may or may not decide to itemize your petty cash income and expenditures in your accounting system. Again, that depends on your situation and you. One category headed "petty cash" may be all of the detail you need.

You need to decide which budgeting system fits your situation. In addition, many people have problems keeping important papers and records in order. Tips for record organization are included on the enclosed fact sheet on Important Papers and Records (L.H. 83-12-20). Ideas for business centers are another enclosed fact sheet (L.H. 83-12-21).

Who Does What?

If your household involves more than one person, decide who will be responsible for what tasks and duties to be performed when managing money. Who pays which expenses? Who does the necessary bookkeeping? Who makes out checks for bills? Who fills out tax forms? Who handles the other tasks that need to be done? Usually the person who has the most time, experience, patience or inclination ends up as the chief money manager in the household. However, it's a good idea to rotate that job annually or semi-annually so everyone knows, understands, and can use the system.

The system will have to make sense to and be agreeable to all people involved. This may take some experimenting and compromising until you find the best situation for you.

Common Elements and Tips for Money Management Systems

Every system for managing money, no matter how simple, involves at least some recordkeeping. To know where your money goes, you need to keep some written records. The trick is in deciding what you need to know and then to keep track of just that information. Keep your system simple, as simple as possible or you won't use it. Try rounding off your figures to the nearest dollar. Don't record the cents. This will work if you set your "break point" and then stick to it. For example, if you choose to round to the nearest dollar, you may decide that 49 cents and less will be dropped, but 50 cents and above will be rounded to the next dollar. You can decide if you need to keep track of the pennies or not. Some people even round to the nearest $5 or $10.

Mark tax deductible items in red in your account book or checkbook so that at tax time you've done some of the work throughout the year. Separate receipts into appropriate folders or envelopes labeled with various tax categories.

The enclosed Tax Record Sheet (L.H. 83-12-19) may give you some ideas for keeping track of your own tax-deductible and other tax related information.

Change the payment date of some bills such as insurance to help spread out your commitments if they seem to be bunched together presently.

Only carry as much money as you need. That extra cash can be a temptation to spend.

Two enclosed publications, Important Papers: Files and Filing (L.H. 83-12-20) and Essentials of a Home Business Center (L.H. 83-12-21), give more suggestions for money management and recordkeeping systems.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

L.H. 83-12-18

BUDGET CONTROL SHEET

MONTHLY INCOME . . . . $ _____

_____
Month

Fixed Expenses:

House/rent payment	$ _____	Loan payment	$ _____	_____	$ _____
Car payment	$ _____	Charge card payment	$ _____	_____	$ _____
Savings	$ _____	_____	$ _____		

SAMPLE

TOTAL FIXED EXPENSES $ _____

Date	Item description	Irregular expenses $		Flexible expenses											
				Household				Equipment & furnishings $		Food $		Clothing $		Personal $	
				Operation $		Utilities $									
		Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance

Date	Item description	Transportation $		Health $		Gifts & contributions $		Education $		Recreation $		Miscellaneous $		Special work related exp. $	
		Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance

BUDGET CONTROL SHEET

MONTHLY INCOME . . . . $ 2,000

October 1982
Month

Fixed Expenses:

House/rent payment	$ 420-	**Loan payment**	$ 40-		$
Car payment	$ 150-	**Charge card payment**	$ 20-		$
Savings	$ 200-	HOK allowances for family members	$ 40		

SAMPLE

TOTAL FIXED EXPENSES $ 870—

Date	Item description	Irregular expenses $ 100-		Flexible expenses: Household — Operation $ 50—		Household — Utilities $ 120—		Equipment & furnishings $ 30-		Food $ 290-		Clothing $ 80-		Personal $ 35—	
		Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance
10/1	Car ins. prem; Electric P	65-	35-			24-	96-								
10/1	Cable T.V.; postage; food			4-	46-	8-	88-			5-	285-				
10/2	Haircut, dinner out; for Deb show									18-	267-	16-	64-	15-	20-
10/3	Groceries; h.h supplies			7-	39-					55-	212-				
10/8	Lunch; phone					34-	54-			4-	208-				
10/9	Groceries, supplies			3-	36-					32-	176-				
10/9	T-shirt for Mike; towels; cosmetics							13-	17-			8-	56-	4-	16-
10/11	Org. dues	15-	20-												
10/14	Groceries; dry cleaning									6-	170-	8-	48-		
10/16	Dinner out									13-	157-				
10/18	Water; sewer; gas; supplies			12-	24-	38-	16-								
10/20	T.V. repair; groceries							26-	-9	46-	111-				

Date	Item description	Transportation $ 140 —		Health $ 60 —		Gifts & contributions $ 70 —		Education $ 40 —		Recreation $ 65 —		Miscellaneous $ 40 —		Special work related exp. $ 10 —	
		Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance	Amount	Balance
10/1	Gas; cards; aspirin	16 —	124	(4) —	56 —	3 —	67 —								
10/1	Newspaper							7 —	33 —						
10/2	Movies									6 —	59 —				
10/3	Church Treasury					(10)	57 —								
10/4	United Way; mag for office					(10) —	47 —							3 —	7 —
10/8	Football game; gas	14 —	110 —							6 —	53 —				
10/9	Car service; mag gift for Julie	26 —	84 —			6 —	41 —			2 —	51 —				
10/10	Church Treasury					(10) —	31 —								
10/11	Newspaper; book office							14 —	19 —					5 —	2 —
10/13	Drug prescription			(15) —	41 —										
10/14	Night class fees							15 —	4 —						
10/15	Book for night class							8 —	— 4 —						
10/16	Gas; record	16 —	68 —							7 —	44 —				

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

RECORDKEEPING FOR TAXES

A systematic approach for keeping tax records during the year can make life easier for you and/or your tax preparer when income tax time arrives. Keeping track of tax deductible expenses as they occur means that you don't have to rely on your memory as to what deductible payments you made and then attempt to find qualifying receipts and cancelled checks. In addition, you can determine where you stand in each category of tax deductible items at any time during the year and then use that information to plan tax strategies for the remainder of the year.

If you keep detailed records of income and expenses in an account book or ledger, one of the simplest ways of keeping track of tax deductible expenditures is to circle the amount as you record an item. In addition, filing those cancelled checks and receipts for taxable deductions in a separate place than those that are not deductible can save a tremendous amount of time when you prepare your taxes. Filing such receipts or checks in their appropriate deduction category can help even more. For example, if your recordkeeping system included files or envelopes for current medical expenses, contributions, educational expenses related to your job, miscellaneous deductible items, etc., then you would have tax information accessible at any time throughout the year.

Following are some suggested categories and examples of deductible items for each. The examples are deductions that are generally allowable; however, consult IRS Publication #17 for details to insure deductions are legal for your situation. The following list is not all inclusive.

Business-Related Expenses

1. Travel expenses while traveling away from home for your business, profession, or job.
   a. Air, rail, bus and taxi fares
   b. Auto operation and maintenance
   c. Meals and lodging
   d. Cleaning and laundry expenses
   e. Telephone and telegraph expenses
   f. Tips related to these expenses
2. Entertainment and gift expenses.
3. Expenses for education that relates to employment.
   a. Tuition, books, supplies, etc.
   b. Travel and transportation costs
4. Home office expenses (deductions are limited).
5. Materials, supplies, and tools necessary to your employment (but not paid for by employer).
6. Professional dues.
7. Subscriptions to professional journals.
8. Travel and transportation costs when seeking employment in your same field.
9. Uniform and work clothes required for members of special professions (e.g. police officers) and protective clothing (such as hard hats).
10. Union dues.

(For more information see the following IRS publications:
#463, Travel, Entertainment and Gift Expense
#508, Educational Expenses
#587, Business Use of Your Home).

Contributions

1. To religious, charitable, scientific, and educational organizations.
2. Cost and upkeep of uniforms that you must wear while performing donated services.
3. Automobile expenses for gas, oil, parking fees, and tools if incurred while donating services to a charitable organization.
4. Unreimbursed expenses for foster care for children.
5. Gifts of property.

Interest

1. Finance charges and interest on credit cards, bank cards, and installment contracts.
2. Interest on business and personal loans.
3. Mortgage interest.
4. Mortgage prepayment penalty.
5. Points paid to lenders when property is purchased.

(For more information, see IRS publication #545, Interest Expense.)

Medical Deductions

1. Expenses for physicians, dentists, surgeons, opticians, psychiatrists, psychologists, chiropractors, and others for professional medical services.
2. Fees for hospital services; nursing services; ambulance hire; and laboratory, surgical, obstetrical, diagnostic, dental, and X-ray services.
3. Medical and hospital insurance premiums.

4. Special equipment such as motorized wheelchair, telephone for the deaf, as well as cost of operating and maintaining such equipment.

5. Special items such as artificial teeth and limbs, eyeglasses, hearing aids, crutches, and guide dogs for the blind and deaf.

6. Transportation for medical care.

7. Medicines and drugs.

8. Special foods and drinks, vitamins and supplements, if prescribed by physician.

9. Birth control drugs and devices.

10. Treatment at therapeutic centers for alcoholics or drug addicts.

11. Payment for abortion, acupuncture, cosmetic surgery, sterilization, etc.

12. Payments to a special school for mentally or physically handicapped children.

(For more information see IRS publication #504, Medical and Dental Expenses.)

Taxes That Are Deductible

1. State, local, or foreign income taxes.
2. Real estate taxes.
3. Personal property taxes.
4. General sales taxes.
   a. Deduct actual amount if you have receipts.
   b. Use state sales tax tables.
   c. Add sales tax paid on car, motorcycle, motor home, boat, plane, home, or materials to build a new home.

Miscellaneous Deductions

1. Expenses of Producing Income
   a. Clerical help and office rent costs incurred with investments.
   b. Fees paid to a broker, bank or similar agent to collect bond interest or dividends on stock.
   c. Investment counsel fees and legal expenses that relate to investments.
   d. Safe deposit box rent if taxable income producing investment papers are stored there.
2. Some adoption expenses.
3. Appraisal fees if paid for determining amount of casualty losses or fair market value of donated property.
4. Tax counsel and assistance fees such as fees paid to have tax returns prepared.

The length of time income tax records should be kept is of concern to many people. Generally, IRS allows three years from the time a return is filed to review a return. However, if a return is filed with more than 25 percent of gross income omitted, a six-year time period applies. There is no statute of limitation if a taxpayer fails to file a return or files a fraudulent one. For taxpayers who use income averaging, records are needed for four years. Keeping records for six years is generally recommended. In addition, any records relating to investments or property such as costs of improvements to real estate should be retained as long as investment is held or the property is owned.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraskka-Lincoln, 1983.

IMPORTANT PAPERS: FILES AND FILING

Two sets of files are useful—one for active, current transactions and records, and the second for inactive, permanent materials that need to be kept. Locate the active filing system in the business center and organize it so that materials can be found readily. Go through the files annually and remove materials no longer current. Toss useless papers and store those you need to keep in an inactive file located in a clean, dry, safe place. Other papers of lasting value such as mortgages, deeds, or current inventories should be kept in a safe place away from the home, preferably a safe deposit box.

Filing is a personal thing. No one can tell you just how your filing system should be set up. As you work with a filing system, make it fit your system of thinking and organizing. Some suggestions include:

★ Consider who will be using the system. Be sure all who do use it understand its organization.

★ File alphabeticallyor numerically, whichever is more logical and easier to use.

★ Build your filing system around an account book or any other special record book you use.

Store at Home

Active Filing System (current year's records)

- Charge account records
- Current cancelled checks
- Checkbook
- Credit cards, infrequently used
- Current debt records
- Education records
- Farm/business records
- Health records
- Guarantees, warranties
- Household account book
- Household inventory (duplicate copy)
- Insurance policies (keep records of policy numbers and company names and addresses in safe deposit box)
- Insurance claims records
- Investment records
- Keys, extra
- Lists:
  - Addresses, telephone numbers
  - Christmas card
  - Birthday dates
  - Credit card numbers
  - Safe deposit box inventory
  - Financial advisors
  - Record of location of important papers
  - Social security numbers
- Location of burial plot
- Organization cards not carried in wallet (current ones only)
- Retirement program information
- Savings passbook
- Tax record information for current year (cancelled checks, receipts, etc.)
- Unsigned copies of wills

Inactive Filing System (records from years past)

- Debt records—owed to someone else and what others owe you. Keep for as long as they have tax implications (income, estate, inheritance, etc.).
- Tax records—keep tax forms and W2's indefinitely, and save supporting materials at least 6 years.
- Other records as necessary

Store Away From Home

Safe Deposit Box

- Certificates of ownership
  - Investment (stocks, bonds, fund shares, etc.)
  - Titles, deeds
  - Retirement program shares
  - Home ownership papers (bill of sale, abstract, mortgage, mortgage releases, etc.)
- Household inventory and supporting material (receipts, photographs, cancelled checks, bills of sale, etc.)
- Important cancelled checks for tax purposes (capital loss or gain) or for insurance purposes
- Important contracts
- Lists:
  - Financial advisors
  - Insurance policy information
  - Credit card information
  - Checking accounts information
  - Savings accounts information
  - Location of important papers
- Patents and copyrights
- Personal records:
  - Adoption, naturalization papers
  - Baptism records
  - Birth certificates
  - Death certificates
  - Divorce certificates
  - Divorce papers
  - Marriage certificates
  - Military service papers

- Passports
- Professional licenses
- Social Security card stubs

"Valuables"

- Jewelry
- Coin, stamp collections

A copy of each person's will

Carry With You

Automobile insurance card
Blood type record
Credit cards, frequently used
Driver's license
Emergency health conditions
Health/accident insurance card
Identification card
Medicare card
Names:

- Person to notify in an emergency
- Doctor preferred

Necessary organization card(s)
Social Security card

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

ESSENTIALS OF A HOME BUSINESS CENTER

A business center doesn't need to be elaborate. But to be adequate it should (1) be located in a convenient, comfortable area of the home; (2) provide necessary equipment, supplies, papers, records and references; and (3) have good light.

Where Can It Be Located?

You can find space for a home business center in just about any room in your house. Ideally, you would have a special room, an "office." But few homes today are large enough for such luxury. Consider instead a spare corner in the living room, dining room, a bedroom, kitchen, or family room. You'll also need to find storage space for inactive records. That storage space might be in the attic, garage, basement, under a bed, on those hard-to-reach top closet shelves, under stairs, or in the back of a deep closet.

What Do You Need in a Business Center?

Essential Large Equipment

1. Ample, sturdy writing surface.
2. Sturdy, comfortable chair.
3. Storage space for current records and papers, equipment, supplies.

This does not automatically mean you need a desk and file cabinet. You could use the dining room table as your writing surface and provide storage space in a nearby cabinet or chest. You could build in a desk and storage unit in an unused closet. You could mount a plywood or hollow-core door on two two-drawer file cabinets. Or you could use a new or remodeled standard office desk and file or combination desk and metal file unit.

Necessary Storage Space

1. Small equipment and supplies (pencils, pens, paper clips, scissors, stationery, etc.) in a divided shallow drawer, divided tray or box, etc.
2. Reference materials (telephone directory, address book, desk calendar, dictionary, catalogs, etc.)
3. Important papers, records, and documents.
4. Temporary storage for incoming or unfinished transactions (bills to be paid, unanswered letters, etc.) in a small box, basket, spindle or other device.
5. Active file (current receipts, correspondence, bank statements, account books, etc.) in a small check file; cardboard box, the size to fit a manila folder; expanding manila envelopes; small portable metal files; drawer in a desk; or a one-to-four drawer filing cabinet.
6. Inactive file for storing certain important records and papers kept at home for future references or for permanent records but not the type kept in a safe deposit box. Make the inactive file the same size as the active file to help in transferring materials from one to the other.

Essential Small Tools and Supplies

Pencils, pens
Paper clips, rubber bands
Transparent tape
Scissors
Ruler
Eraser
Pencil Sharpener
Stationery (personal & business)
Account books
Stamps
Deposit slips
Desk calendar
Dictionary
Wastepaper basket

Optional Small Tools and Supplies

You decide if these will earn their keep in valuable storage space!

Glue or rubber cement
Stapler
Spindle
Paper weights
Address book
Typewriter
Adding machine
Sponge for moistening envelopes
Letter opener
Book ends
Hole puncher
Parcel post scale
Bulletin board
Parcel post labels

You will also need to provide adequate lighting for an efficient business center.

Prepared as part of the "Budgeting: The Basics and Beyond" learn-at-home course, Cooperative Extension Service, the University of Nebraska-Lincoln, 1983.

WHEN THERE ARE TWO EARNERS IN THE HOUSEHOLD

Two earners in the household pose additional problems for the money management system. Should each person have money that is not accountable to the other, money that is one's own? How are the bills to be paid: divided down the middle, each spouse taking responsibility for separate items (one gets the mortgage, the other the car payment), or is the one partner responsible for all the basics and the other for the frills? Should the partner who makes the greater income have veto or tie-breaker power in money decisions? Will you live on one income and save the second for a special purpose such as a down payment of a house, or for a retirement fund? These are serious questions that need to be discussed by both partners. No one system will fit everyone, because individual needs, values, skills, interests, attitudes, and personalities differ. Work out a plan that feels right for you. Whatever you choose—decide on it together. And if the first plan you draw up doesn't work—change it until it fits your situation.

Joint Vs. Separate Accounts

There are two basic ways to hold checking and savings accounts: jointly, where both husband and wife have access to money, or separately, which lists only one spouse. Both types have advantages and disadvantages.

With joint accounts, there is a greater feeling of sharing, of it being "our" money. On the minus side, there can be problems when one signer dies or leaves the other.

Separate accounts can have general advantages. Having your own checking account (especially for a woman) can help in establishing your own credit rating. Another advantage is that the money is clearly in the name of one partner. Upon the death of either, the surviving spouse would have money to cover out-of-pocket expenses until the estate is settled. Should the marriage end, neither spouse would have to worry that the other might withdraw the money. A disadvantage with separate accounts is the more accounts you have, the more paperwork, time, and service charges.

Although there are only two basic types of accounts, there are many ways to put them together. Three models have been developed by Caroline Bird[1] in her book which depict the different ways dual-income families split their earnings. Which of the following models describes you?

Equal-share couples put an equal amount of their respective salaries into joint checking and savings accounts (to cover the basic household expenses). The remainder can be saved or spent as each sees fit.

The advantages of this system are that each spouse contributes to daily expenses and each has some money to call his/her own. Raises and salary increases give more individual spending to the spouse who received it.

Problems can arise when one spouse earns appreciably more than the other. This can lead to resentment of the spouse who has greater individual income.

Proportional share couples each contribute a percentage of their salaries to cover household expenses and joint savings. The remainder is theirs to do with as each pleases.

On the plus side, both spouses are contributing to household expenses, while retaining some independence of funds. Again, a possible problem with this method is that a difference in the amount of income each person earns could cause resentment.

Pooler couples combine all their income to use for both household and personal expenses. The money can be held in either joint or separate accounts.

An advantage of this method is that the work of each spouse is valued equally, regardless of the salary earned. A part-time worker or a spouse who earns much less than the other is not penalized in their discretionary purchasing power when there is a difference in earnings.

A common disadvantage of pooling paychecks is that the spouse with the lesser income may not feel he or she has as much to say in how the joint income is spent. Also both spouses may feel obligated to discuss all purchases with each other, which could be an advantage or disadvantage, depending on the situation.

Sylvia Porter and other financial advisers suggest that pooler couples retain an independent "allowance" of a set amount. This helps them retain the feeling that all income is shared, while letting each spouse make some purchases which are not accountable to the other.

Systems for Two-earner Households

As identified by Wanda S. Mowry[2], two-earner households generally have one of five money management systems.

The **cash box system** is the system where cash is kept in a jar, money box, or envelope(s); amounts are designated for various bills and paid in cash.

1/ Caroline Bird, The Two-Paycheck Marriage.

2/ Wanda S. Mowry, "Money Flow Systems of One- and Two-Earner Families," unpublished thesis, University of Nebraska, May 1982.

In the **combination system,** each earner contributes to "our" fund, but each maintains his or her money for personal spending. "Our" fund is for general living expenses.

The **paycheck system** has one spouse handling the income and paying all the bills; the other spouse receives money which may be used for personal spending or for groceries, etc.

Under the **pool system,** incomes are pooled and bills are paid in an informal partnership arrangement.

The **separate system** means each spouse has his or her money and each is responsible for certain bills.

Of course, variations of these systems are possible. One couple basically uses the pool system with only one checkbook, but each person carries a "wild check" for emergencies. Another couple uses the combination system, but has two checking accounts. At the beginning of the month $500 is deposited from the main account to the second account. Then, if that account needs more money before the end of the month, the main account is checked and the money is transferred.

If the first system you try doesn't work, analyze why and change it. Then try again. Everyone concerned needs to be involved in developing a system—if they aren't, the system probably won't work since not everyone has a commitment to make it work.

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FOR FARM & RANCH FAMILY LIVING EXPENSES

EC 77-2223

Cash Flow Planning Form

Cash Flow Planning—What Is It?

A cash flow plan shows the sources, amounts and timing of income and expenses. It shows when major expenses will come, when you will need credit and when you can plan for other major expenses. Usually, the cash flow plan is for one year, but it can be for any time period you choose.

Cash Flow Planning—Where to Start?

Gather sources of information you have about family living expenses such as checkbooks, receipts, due dates and amounts of insurance premiums and debts, and any records you have kept in the past year. Using this information to help you look ahead, you are ready to begin to plan family living expenses.

Steps To Follow

Complete the following form, column by column, starting with the first period of the time being considered. Do form in pencil. Round all figures to dollars. Refer to line explanations on the back of this leaflet for further information.

1. In the blank following "Date completed" put today's date (or the date you finish the form). Fill in family name and address for identification. Determine the total time period you want to plan for; enter under "Total." Then break down into smaller parts. Fill in time period headings for each column; for example, "1-1-78 to 1-31-78" or "1-1-78 to 3-31-78."

2. Complete lines 1-5 of the first column to get total cash available for the time period being considered. Put total figure in line 6.

3. Complete lines 7-10 to find total fixed expenses anticipated. Put result in line 11.

4. Complete lines 12-24 to get total flexible expenses anticipated, and put result in line 25.

5. Complete lines 26-28 to find total anticipated savings. Put total figures in line 29.

6. Add lines 11, 25, and 29 to get total anticipated cash needed for time period. Put figure in line 30.

7. Subtract line 30 from line 6. Enter result in line 31. If the result is negative write in red, bracket it [ ], or put negative sign in front of it.

8. If line 31 is negative, show money to be borrowed from other sources (farm account, emergency fund, bank loan, etc.) on line 32.

9. If line 31 is positive, indicate amount left for future expenses or to be transferred to other accounts (farm account, emergency fund, etc.) on line 33.

10. Ending Cash Balance (line 34). If line 31 is negative, subtract it from the amount borrowed (line 32) to get ending cash balance. If line 31 is positive, subtract payments to other accounts (line 33) to get ending cash balance.

11. Transfer the ending cash balance (line 34) for the period you have just completed to the beginning cash balance (line 1) for the next planning period.

12. Repeat steps 2-11 for each partial time period.

The Total Column

The figures in this column reflect your total cash flow for the total time period being planned. Each figure in this column is the sum of the figures for the individual time periods for most of the lines. But, the figures in lines 1, 6, 31, and 34 do not necessarily "add across." This is due to transfer of cash balances from the end of one period to the beginning of the next. If the beginning and ending cash balances are all equal, these lines would also add across.

As a check on previous calculations, do the following calculation using the line numbers in the total year column: line 6 - line 30 + line 32 - line 33 = line 34. The ending cash balance (line 34) in the total column should agree with the ending cash balance for the last time period considered.

It's Done—What Now?

Study it—use it to plan and control your family's living expenses. Information will also be helpful if you use cash flow planning in the farm business. Used together, cash flow planning in both the farm business and family living expenses can help coordinate expenses, income and credit use.

Extension work in "Agriculture, Home Economics and subjects relating thereto," The Cooperative Extension Service, Institute of Agriculture and Natural Resources, University of Nebraska-Lincoln, Cooperating with the Counties and the U.S. Department of Agriculture
Leo E. Lucas, Director

BEST COPY AVAILABLE

Cash Flow Planning Form For Family Living Expenses

Date Completed _____ Family Name _____

Address _____

	TIME PERIOD BEING PLANNED													
CASH FLOW IN	1. Beginning Balance in Living Expense Account													
	2. Transfer from Farm Business Account													
	3. Non-Farm Income													
	4. Other Income													
	5.													
	6. Total Cash Available (add 1-5)													
CASH FLOW OUT	FIXED EXPENSES													
	7. Life & Disability Insurance													
	8. Debts - installment payments, credit cards													
	9. Other Fixed Expenses													
	10.													
	11. Total Fixed Expenses													
CASH FLOW OUT	FLEXIBLE EXPENSES (add 7-10)													
	12. Food (including home production)													
	13. Utilities-Home Share													
	14. Transportation-Home Share													
	15. Household Operation - Supplies, upkeep and repair													
	16. Furnishings and Equipment													
	17. Health including health insurance premiums													
	18. Clothing and Upkeep													
	19. Personal care and allowances													
	20. Gifts and Contributions													
	21. Education													
	22. Recreation													
	23. Other Flexible Expenses													
	24.													
	25. Total Flexible Expenses (add 12-24)													
	SAVINGS AND INVESTMENTS													
	26. Emergency Fund Savings													
	27. Other Savings													
	28.													
	29. Total Savings & Investments (add 26-28)													
SUMMARY	30. Total Cash Required for Family Living Expense (Add lines 10, 24, and 29)													
	31. Total Cash Available Less Total Cash Required (Line 6 less Line 30)													
	32. Money to be Borrowed (if line 31 is negative)													
	33. Money left for future expenses (if line 31 is positive)													
	34. Ending Cash Balance													

LINE EXPLANATIONS

Cash Flow In

Line 1 Beginning Balance—includes cash on hand and in the family living expense checking account.

Line 2 Transfer from Farm Business Account—amount allowed for family living expenses from farm business account.

Line 3 Nonfarm Income—After-tax amount allowed for family living expenses.

Lines 4-5 Other Income—Other income specifically for family living such as gifts, tax refunds.

Line 6 Total Cash Available—Add lines 1, 2, 3, 4 and 5.

Cash Flow—Out Fixed Expenses

Line 7 Life and Disability Insurance—Not included as part of farm business expense.

Line 8 Debts—Amount of payment for all installment, credit card and other debts (including interest).

Line 9 Other Fixed Expenses—Fixed expenses which won't fit in lines 7-8. Housing rent or payment would go here if you have it.

Line 11 Total Fixed Expenses—Add lines 7, 8, 9 and 10.

Cash Flow Out—Flexible Expenses

Line 12 Food—Include food eaten at home and away, including school lunches, home food production.

Line 13 Utilities—Home share of utilities expense (gas, electricity, telephone, water).

Line 14 Transportation—Home share of car and other transportation expense (gas, oil, maintenance, repair, license plates, insurance, plane, taxi).

Line 15 Household Operation—Supplies, upkeep, repair of house, safe deposit box rent, hired help for the house, postage and stationery, household property insurance, laundry supplies.

Line 16 Furnishings and Equipment—Major and minor purchases including appliances and furniture.

Line 17 Health—Medical and hospital insurance premiums, doctor, dentists, medicine, eye glasses, therapy treatments, x-rays, lab tests.

Line 18 Clothing and Upkeep—Clothing purchases, laundry, dry cleaning, supplies for home sewing.

Line 19 Personal Care and Allowances—Barbershop, grooming and beauty aids, "coffee breaks," beauty shop.

Line 20 Gifts and Contributions—Church, charities, Christmas, wrapping paper, cards, special contributions.

Line 21 Education—Books, tuition, newspapers, magazines, music and dance lessons, seminar and workshop fees.

Line 22 Recreation—Club dues, sports, movies, vacations, babysitting during recreation, records, pets, tobacco, alcoholic beverages, hobby supplies, cable television.

Lines 23-24 Other Flexible Expenses—Flexible expenses which won't fit in lines 11-21, such as union and professional association dues, babysitting while working, legal fees.

Line 25 Total Flexible Expenses—Add lines 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24.

Savings and Investments

Line 26 Emergency Fund Savings—Fund maintained for unexpected emergencies (insurance deductibles, unexpected travel or expense, etc.)

Lines 27-28 Other Savings—Savings which won't fit in Line 26. Credit union deposits, savings bonds, time deposits, other investments besides farm business, stocks, bonds, annuities.

Line 29 Total Savings—Add lines 26, 27 and 28.

Summary

Line 30 Total Cash Required for Family Living Expenses—Add lines 10, 24 and 29.

Line 31 Total Cash Available Less Total Cash Required—Line 6 minus Line 30.

Line 32 Money to be Borrowed—See Step No. 8.

Line 33 Money left for future expenses—See Step No. 9.

Line 34 Ending Cash Balance—See Step No. 10.

The Cooperative Extension Service provides information and educational programs to all people without regard to race, color or national origin.

Prepared by Kathy Prochaska, Extension Specialist, Family Economics and Management. Based on "Cash Flow Planning Form," EC 71-852, prepared by Larry L. Bitney, Extension Economist (Farm Management).